CDM INVESTMENT NEWSLETTER

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Designated National Authorities

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Editorial

SINCE THE ENTRY INTO FORCE OF THE KYOTO PROTOCOL, the number and diversity of Designated National Authorities (DNAs) has increased significantly due to the demand for projects that need to be registered under the Clean Development Mechanism (CDM). We expect that readers of this Newsletter have, to some extent, been following the trend reports providing information on numbers and types of CDM projects in different stages of the CDM 'pipeline' as well as the price 'signals' coming from the EU ETS and discussions on the Linking Directive (see issue 5/2005 for more on this). Naturally, host country decision-makers will also have been following these issues and increasingly gearing up to take part in the 'carbon market' as it matures.

However, host countries are moving at different speeds, applying different methods, involving a range of stakeholders and utilizing varying levels of resources for the CDM processes and the associated administrative structures. Many host countries still lack sufficiently widespread knowledge of the CDM and the requirements of the Marrakech Accords (2001), or of what is really needed in order to benefit from the carbon market. This problem can be seen in both the public and the private sectors; it affects the project 'generators' as well as those that could/should be reviewing and approving the projects.

One related issue that has emerged in recent debates and was the subject of a few side events in Montreal, is that of the sustainable development benefits of CDM projects (Sustainable CDM - best practice, Promoting the developmental benefits of the CDM – an African case study, Development dividend: making the CDM work for developing countries). Considering the large volume of emission reductions coming from a few approved industrial gas-based projects, this concern should be taken seriously and it is the responsibility of the DNA to approve or reject projects based upon the criteria that they define. The Chinese DNA has taken an interesting stand on this topic by levying a relatively high fee on the Certified Emission Reductions (CERs) coming from the projects that have little demonstrable development benefit and plan to use this fee to pay for projects that do make a contribution to these objectives. This raises the concern that the DNA is able

to determine and apply criteria for the approval process without discouraging project developers and investors. It is also important that the relevant national and local stakeholders are involved so that various national and regional interests are sufficiently reflected in the decision-making.

Much has been written on what is needed to establish and operate a DNA, especially as the Marrakech Accords are noticeably silent on this; several agencies and institutions have provided advice and assistance to some host country governments and a body of 'learning-by-doing' experience has already been created among the DNAs. It is some of this experience that the Newsletter wishes to present to its readers in the hope that others may learn from it; host country authorities in early stages of DNA establishment may find some useful hints and investors might have a better idea of the CDM procedures in a particular host country.

Given that there are now ninety-seven DNAs (http://cdm.unfccc.int/DNA & http://cdm.unfccc.int/Statistics), this issue of the Newsletter can only present a handful but we have managed to attract three 'comparative' articles as well as a few 'national profiles' and the spread covers all geographical regions (unfortunately without a submission from sub-Sahara Africa) as well as AI and NAI countries (readers might like to refer back to Newsletter issues 1/2004 & 1/2005 that each contain an article on a DNA, respectively from the Netherlands and South Africa).

The Newsletter contains regional 'comparative' articles covering DNAs in Southern-Eastern Europe and CIS countries (page 3) and five Latin American countries (page 7), as well as an inter-regional comparison of Peru and Pakistan (page 11) as well as national DNA articles from the non-Annex I countries Nicaragua (page 13), Thailand (page 15) and Egypt (page 17) and Annex I countries Austria (page 20) and Germany (page 21). This issue of the Newsletter is much longer than usual but we feel that there is a large volume of useful information and ideas within that make it worth taking the time to read.

DNAs in Southern-Eastern Europe and CIS: Status and Capacity Building Needs, by Jette Findsen, Science Applications International Corporation (SAIC) & Marina Olshanskaya, UNDP, Regional Support Center for Europe and CIS

ENTRY INTO FORCE OF THE KYOTO PROTOCOL PROVIDED THE COUNTRIES IN SOUTHERN-EASTERN EUROPE AND THE CIS WITH NEW OPPORTUNITIES for reducing their greenhouse gas (GHG) emissions and achieving other sustainable development objectives through participation in the Clean Development Mechanism (CDM).

Establishment and institutional strengthening of Designated National Authorities (DNAs) and related regulatory, legal, and host country approval procedures are among the most important issues to address for countries wishing to host CDM projects but, in Eastern Europe and the CIS, progress in designing appropriate institutional frameworks for the Kyoto flexible mechanisms has been uneven. While new EU member states and pending accession countries (Bulgaria and Romania) have moved forward with creating their JI Secretariats and mobilizing resources for capacity building, this process in the rest of the region has been rather slow, especially on the side of non-Annex I countries in Southern-Eastern Europe and CIS. For most of these countries, the absence of a fully-defined DNA stems from various factors, including lack of understanding of the requirements of the CDM, limited financial resources for training and allocating government personnel for project review, and an absence of significant technical assistance from the donor community.[1] In order to identify best practices, lessons learnt and priority capacity building needs, the United Nations Development Programme (UNDP) recently initiated the preparation of a regional study on existing institutional frameworks for DNAs. This article presents the most important findings of the study and builds on the results of its UNDP-supported regional capacity building programme for the Kyoto Protocol.

STATUS OF DNAs IN EASTERN EUROPE AND CIS The development of DNA's and the institutional capacity to evaluate and approve CDM projects in Southern Europe and the CIS has been slow compared with other regions of the world. Of the 13 countries surveyed (Armenia, Albania, Azerbaijan, Bosnia and Herzegovina, Georgia, FYR of Macedonia, Moldova, Kazakhstan, Kyrgyzstan, Serbia and Montenegro, Tajikistan, Turkmenistan, and Uzbekistan) only six have designated a DNA contact point (see Table 1). However, the notification of a DNA contact point to the UNFCCC does not necessarily mean that the country in question has developed an operational DNA with the institutional infrastructure required to satisfy the

major DNA functions, such as the establishment of rules for project eligibility and approval. Of the six countries with a DNA contact point, only Moldova has established a fully-fledged DNA with almost complete project criteria and approval procedures in place. Armenia and Georgia are moving quickly towards setting up their DNA: both countries have nominated their Ministries of Environment to act as DNAs and prepared the draft national CDM approval procedures which are currently awaiting official governmental endorsement. Kazakhstan has developed unified guidelines for project submission and has approved two projects for JI/CDM[2] but has not yet agreed on a final institutional framework for project review and is still debating possible structures that will depend upon whether the government decides to ratify the Kyoto Protocol as Annex I or non-Annex I. Tajikistan is the furthest behind in the CIS region and is still in the process of ratification.

Table 1: Legal Structure of DNAs in South-Eastern Europe and CIS

Country	DNA Reported to the UNFCCC[a]	DNA Legal Structure	DNA Administrative Unit/Secretariat
Albania	Ministry of Environment	*In process*	Climate Change Unit, Ministry of Environment
Armenia	Ministry of Nature Protection	*In process.* **Ministry of Nature Protection**	*Working group to be established.* Currently 2 contact points in Ministry of Nature Protection: 1) UNFCCC Focal Point/Head of Environmental Protection Department, and 2) Head of International Cooperation Department
Azerbaijan	Ministry of Ecology and Natural Resources	*In process*	
Bosnia and Herzegovina	--	--	--
Georgia	Ministry of Environment Protection and Natural Resources	*In process.* **Ad hoc CDM National Board** of high level officials from sectoral ministries and headed by the Min. of Environment.	Climate Change Office in Ministry of Environment Protection and Natural Resources
Moldova, Republic of	The State Hydrometeorological Service of the Ministry of Ecology and Natural Resources	A **National Commission (NC)** with 18 members representing parliament, the government, private sector, research, and academic institutions. It is chaired by the Minister of Ecology and Natural Resources and vice-chaired by the Director of the State Hydrometeorological Service.	The State Hydrometeorological Service provided an office for the NC with two computers with internet. The Climate Change Office Manager of the Ministry of Ecology and Natural Resources acts as Secretary of the NC.
Kazakhstan[b]	--	*In process.* **Interagency Committee on Climate Change (IACCC)** approves CDM/JI projects. Consists of 12 ministries. Observer status to NGO, parliament, international donor, and industry representatives.	The Climate Change Coordination Center acts as the Executive Body of the IACCC.
Kyrgyzstan	--	A 2005 government decree established a **Climate Change Committee** chaired by the Deputy Minister of the Ministry of Nature Protection and Emergency Situation. A restructuring of the ministry into two (Ministry of Emergency Situation and State Agency for Nature Protection and Forestry) put the DNA on hold until a new chair has been selected.	The Climate Change Center (co-funded by UNDP and Ministry of Nature Protection and Emergency) to act as the Secretariat. It will remain a government entity but will be housed at the national university (KRSU) in Bishkek.
Serbia and Montenegro[b]	Ministry of Environment	--	
Tajikistan[b]	--	*In process.* **Ministry of Environmental Protection**	Secretariat to be housed within Ministry of Environmental Protection
Turkmenistan	--	*In process*	
Uzbekistan	--	*In process.* **Inter-ministerial commission** for coordination and project evaluation	Proposed independent CDM office/secretariat if funding is possible

[a] *From list of DNA's reported to the UNFCCC: "Designated National Authorities." http://cdm.unfccc.int/DNA accessed on January 21, 2006*

[b] *Bosnia and Herzegovina, Kazakhstan, Serbia and Montenegro, and Tajikistan have not yet ratified the Kyoto Protocol. Serbia and Montenegro also reported nomination of DNA to UNFCCC Secretariat. However, in practice no formal authority was assigned to the contact person regarding CDM approval and the status if Kyoto Protocol ratification is still debated in Serbia and Montenegro.*

With only two Kyoto Protocol ratifications (Macedonia and Albania) and only one nominated DNA (Albania), countries in Southern-Eastern Europe are furthest behind in the CDM institutional development process. Macedonia, with UNDP's technical assistance, started the establishment of its DNA in late 2005 and a decision by the Government on the institutional set-up is expected to be taken by June 2006. Both Serbia and Montenegro and Bosnia and Herzegovina (BiH) remain on the fence regarding ratification, even though

this will be a requirement for their integration with the EU. Ratification packages were prepared by both countries and in Serbia and Montenegro was submitted to the Parliament. Both packages include recommendations for setting up a DNA.

TRENDS IN INSTITUTIONAL DEVELOPMENT Of the DNAs that have been created so far in the region, all are hosted within the government and all have designated the Ministry of Environment as the primary contact point for their DNA. Typically, an inter-ministerial board is created that includes high level officials from all relevant line ministries (energy, transport, agriculture, forestry, and economy). This body is usually headed by the Ministry of Environment that acts as the final decision-maker on CDM project approval, requiring all, or a majority of, the commission members to agree on a project decision. A DNA secretariat, most often housed by the Ministry of Environment, then acts as the administration for this body by coordinating all day-to-day activities, setting up meetings, and undertaking various outreach responsibilities.

In several cases, the DNA secretariat is hosted by an office that is designated specifically for climate change activities. This is the case of Georgia, Armenia, and Albania. Georgia's DNA contact point is also the Director of the National Agency of Climate Change within the Ministry of Environment; this ensures that the DNA can draw on the eight staff-members already assigned to climate change activities and can rely on their experience with other climate change activities undertaken under the UNFCCC. Alternatively, as in the case of Moldova, most of the work of the DNA is undertaken by the President and the Vice Chair of the National Commission (i.e., the DNA) responsible for implementing the Kyoto Protocol.

Other countries have placed the secretariat that supports the DNA Commission within a separate entity outside the government. This is done to increase options for using donor funds to help pay for the cost of administering CDM project evaluation. For example, Kyrgyzstan has nominated the Climate Change Centre to act as the DNA Secretariat. The Centre used to be a government entity operated by the Ministry of Environment and housed at the more centrally located KRSU University in Bishkek. However, in 2005, to enable the Centre to augment staff salaries from outside sources, the Ministry of Environment established the Centre as a non-government entity. The Centre uses the experts and infrastructure developed under the UNDP/GEF project on climate change which helped to prepare the 1st National Communication to the UNFCCC.

It is important to realize that official nomination of a DNA and notification of this to the UNFCCC Secretariat is only the first stage in the formal process of DNA set-up. In order for the DNA to effectively undertake its functions, it should be granted full legal authority for review and approval of CDM projects in accordance with the existing legal and regulatory framework of the host country. The legal provisions validating the DNA should contain clear statements regarding its legal justification, authority, objectives, organizational structure, functions, priorities and procedures.

In some cases, two or more legal documents will be required, with the first consisting of a notification of the location of the DNA and the second consisting of an agreement containing more specific information on the institutional make-up, evaluation functions, and sustainable development criteria to be applied by the unit. Armenia, for example, ratified the Kyoto Protocol in 2002, and, in 2003 the Ministry of Nature Protection was appointed as the DNA without having specific application procedures and criteria in place. In early 2005, the Ministry issued its first approval letter for a CDM project and, with the assistance of an EU-funded capacity building project, started the process of developing and approving an institutional procedure for evaluating projects.

NATIONAL CDM PROJECT REVIEW AND APPROVAL PROCEDURES Most countries in the region have proposed a two-step approval procedure, whereby project developers have the option of submitting a short Project Idea Note (PIN) for initial feedback, often in the form of a letter of endorsement, before the complete PDD is submitted for final approval (see Table 2).

Review and approval of the PDD and assessment of its compliance with sustainable development goals and other host country requirements is normally conducted either by a DNA secretariat or with involvement of an inter-agency committee or a similar body. For example in Georgia, the CDM National Board**,** an ad-hoc committee that includes high level officials from sectoral ministries, has the final authority to make a decision on approval or rejection of a CDM activity. However, before this point, a technical screening and evaluation of the PDD is undertaken by the DNA Secretariat which is comprised of the UNFCCC National Focal Point and the Department of Climate Change of the Ministry of Environmental Protection and Natural Resources. The Department already possesses sufficient technical facilities and human resources to facilitate this review through experience gained during the UNDP/GEF-supported project for preparation of the National Communication and other climate change related capacity building projects. There are several

variations to this process according to individual country settings; for example, in Armenia both the PDD and the draft approval/rejection letter are sent to appointed experts in the Ministry of Trade and Economic Development and the Ministry of Labor and Social Security to obtain their consent.

Some countries have set a timeline for notifying the project developer of a final decision. This helps provide certainty to project proponents and investors. In the case of Moldova, the PDD review must take no more than two weeks after official receipt of the proposal. A revised proposal will also be reviewed within two weeks after resubmission. Armenia proposes to review PINs within 15 working days and PDDs within 20 working days. If additional information is requested on the PDD, the intervening days until the required information has been received will not be counted.

Table 2: Sample Proposal Review Cycles in Eastern Europe and CIS

Country	Initial Project Endorsement			Final Project Approval		
	Project Idea Note (PIN)	PIN Template	Time Line	Project Design Document (PDD)	PDD Template	Time Line
Georgia	Optional	Provided by DNA		Required	CDM EB's design	
Moldova	N/A	N/A	N/A	Required	Stage 1. Request authorization from government to negotiate project & sign PDD. Stage 2. Official approval by DNA (National Commission - NC): Baseline and monitoring methods must be approved by CDM EB before PDD in CDM format can be submitted to the NC.	A stage 2 decision must be made within 2 weeks. Rejected and revised proposals will also be examined within 2 weeks.
Armenia			10-15 working days	Required	CDM EB design	20 working days

PRIORITY CAPACITY BUILDING NEEDS The regional UNDP study reveals that there is a great demand for external assistance to help CDM host countries with establishing DNAs structures, setting up the institutional framework for evaluating projects, submitting approval letters, defining sustainable development criteria, and examining project eligibility. Furthermore, many countries have expressed a need for support on issues related to the legal nature of CERs, taxation and procedures for the transfer of CERs to foreign entities. All countries in the region would benefit significantly from targeted training to help relevant government experts conduct assessment of PINs/PDDs and ERPAs, as well as participate in special sessions of the CDM Executive Board and other UN negotiations related to the flexible mechanisms. Training of ministry staff in the most recent developments in baseline and monitoring methodologies would be particularly helpful, especially if targeted towards the specific sectors and project types that are relevant for each country.[3]

The Balkan countries are furthest behind in setting up DNAs and are in great need of support for initiating the interagency discussions related to deciding upon an institutional setup and formulating the necessary decrees for doing so. Both Serbia and Montenegro and Bosnia & Herzegovina need to overcome remaining suspicions of the Protocol and to proceed with its ratification. Moreover, the decentralization of responsibilities within republics and entities in these countries will likely carry over to the institutions that will be responsible for CDM projects and may require that additional layers of staff from each region are involved in any potential capacity building programme. Additionally, for the countries in the Western Balkan region that are preparing for future accession to the EU, special training would be useful for understanding the relationship between EU environmental finance schemes (i.e., renewable energy certificates and the EU Emissions Trading Scheme) and the mechanisms of the Kyoto Protocol.

[1] Under its TACIS program, the European Union is funding a regional capacity building programme for DNAs and on CDM project development for countries in the CIS, and the Italian government is providing similar assistance to Albania, Bosnia and Herzegovina, Macedonia, and Serbia and Montenegro. Although these regional efforts have been effective in increasing CDM awareness and supporting the process of establishing DNAs, their scope has not been wide enough to sufficiently meet all training and resource needs in the region.

[2] Kazakhstan negotiated a special agreement whereby it would participate in the Kyoto Protocol as an Annex I country. This means that once Kazakhstan ratifies the Kyoto Protocol, the country voluntarily takes on a binding GHG emission target and is eligible for

participation in Joint Implementation (JI). Because of the country's special status, projects approved by the Government of Kazakhstan are evaluated as both JI and CDM projects, but follow the general procedures for CDM project review and submission.

[3] For example, in Georgia, there is little or no opportunity for fuel switching, but high interest in pipeline projects. In Kazakhstan and Azerbaijan the opportunities for project development in the oil and gas sector are high, and projects to reduce GHG emissions from coal mining and combustion would be high in countries such as Bosnia and Herzegovina, Serbia and Montenegro, and Kazakhstan.

DNA structure and CDM project approval process in five Latin American Countries: Argentina, Brazil, Chile, México, and Peru, by

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THE RULES OF THE CDM establish the need for a Designated National Authority (DNA) in countries interested in participating in the CDM market. DNAs have the mandatory function of assessing CDM projects at the national level and the authority to issue a letter of approval stating that the project assists the country in "achieving sustainable development" (Marrakech Accords). Without a letter of approval a project does not qualify as a CDM project. DNAs have also the option of playing other non-mandatory roles such as the assessment of technical aspects of projects (e.g. baselines and additionality) and promotional functions such as capacity building and marketing. This article describes the structure and procedures of the DNAs in five Latin American Countries (Argentina, Brazil, Chile, México, and Peru) and provides some conclusions on the common aspects and differences among them.

ARGENTINA [1,8]CDM activities are centralized at the Secretariat of Environment and Sustainable Development in the Ministry of Health and Environment. This institution leads the promotion of new projects through the Argentinean Carbon Facility and is also in charge of the approval of CDM projects through the Argentinean Office for the Clean Development Mechanism (OAMDL). The documents required to consider a CDM project for assessment are:

- Written request to consider the activity as a CDM project;
- The Project Design Document (PDD), as required by the CDM Executive Board;
- A description of how the project contributes to sustainable development; and
- Documents proving that the project fulfills national and local regulations.

Within 20 days of receiving the documents the OAMDL conducts a pre-assessment of the project. It reviews the fulfillment of the Kyoto Protocol requirements and the consistency of the project with the national priorities on environment and sustainable development. During the same period the project is also submitted for comments to the local authorities where the project will be located.

Once the pre-assessment is finished, the OAMDL request a technical analysis from an external institution. The reviewer assesses baseline, additionality, estimated emission reductions, crediting period, monitoring plan, economic feasibility and technical feasibility. The technical concept has to be returned within 10 days and is paid by the project developer. The OAMDL Steering Committee analyses the technical report and all documents related to the project and produces a recommendation approving, rejecting or requesting clarifications on the project. The recommendation is submitted to the Secretariat of Environment and Sustainable Development for its formal endorsement.

BRAZIL [1,2,9]The Brazilian Interministerial Commission on Global Climate Change (CIMGC), created in 1999, considers and approves CDM project activities itself. The Commission is composed of members from the Ministries of Foreign Affairs, Agriculture, Livestock and Supply, Transportation, Mines and Energy, Development, Industry and Foreign Trade, and the Chief of Staff of the Presidency of the Republic. It also includes the Minister of Science and Technology, who chairs CIMGC and acts as Executive Secretariat, and the Minister of the Environment, who is the vice-chair.

The procedure for evaluating and approving CDM projects was established in the CIMGC Resolution No. 1, of September 11, 2003. Project proponents must submit electronic and hard copies of the following documents:

- The PDD in a format determined by the Commission as well as in the format established by the CDM EB. It should contain a description of the contribution of the project to sustainable development;

- Copies of the invitations for comments sent by the project proponents to Municipal governments and City Councils, State and Municipal Environmental Agencies, Brazilian Forum of NGOs and Social Movements for Environment and Development, Community associations, and State Attorney for the Public Interest;
- The validation report, in Portuguese, prepared by a Designated Operational Entity authorized to operate in the country;
- A declaration signed by all project participants identifying the person and form of communication with the Executive Secretariat of the CIMGC;
- A letter of commitment to report the distribution of certified emission reduction units delivered by the project;
- Documents attesting to the compliance of the project with the environmental and labour legislation.

The Commission meets bi-monthly and issues a final decision within sixty days of the first ordinary Commission meeting subsequent to receipt of the documents. The Executive Secretariat maintains a database of all project proposed under the CDM, containing information about the PDDs, the reports that served as the basis for the decision of the Commission, and the validation and verification reports of emission reductions from approved projects. These documents are for public access except for those identified as proprietary, confidential or protected by legislation.

The criteria used to assess the project contributions to sustainable development include the contributions of the project to local environmental sustainability, the improvement of working conditions, net employment creation, fair income distribution, technology development and regional integration.

CHILE [1,7]Chile has three main governmental institutions that support the development of CDM projects: CONAMA, the National Environmental Commission; Prochile, the agency that promotes external commerce; and CORFO, the Economic Development Agency. CONAMA acts as the DNA, Prochile as a promoter of CDM projects and CORFO as facilitator by promoting regulations and feasibility studies that create incentives for CDM projects in the renewable energy sector.

The DNA was established in May 2003 at the highest level of CONAMA, the Board of Ministers. As the Board includes 13 ministers and the Executive Director of CONAMA, activities are delegated to a steering committee formed of the Executive Director of CONAMA and representatives of the Ministries of Foreign Affairs and Agriculture, National Energy Commission, National Council for Clean Production and, if needed, a representative of the line Ministry under which a particular project falls.

The DNA is only concerned with the sustainability and voluntary character of projects. It does not create additional political institutions or attributions. The Steering Committee relies upon the technical staff of each Ministry to review the projects before they are submitted to the DNA.

To be considered for approval, a project must submit the following information:

- Full description of the project, including a schedule for its operation;
- Statement indicating that the participation in the CDM is voluntary;
- A copy of environmental permits; and
- A letter from the CONAMA Regional Director stating that there are no pending claims.

The criteria to determine the contributions to sustainable development are linked to the environmental permits. Depending on the type of project, the developer has to either undertake an environmental impact assessment (EIA) or obtain a specific authorization that applies to that particular project under the Chilean laws before submitting the CDM project.

MÉXICO [1,2,5]The Mexican Committee for Capture and Reduction of Greenhouse Gases Emissions (COMEGEI), comprised of representatives from five ministries (Environment, Energy, Agriculture, Transport and Economy) is the DNA. The Executive Secretariat is with SEMARNAT in the Ministry of Environment. Four working groups report to the Secretariat: project assessment; project promotion;

agreements and international issues; and capacity building. Mexico also has a climate change committee at the Ministry of Energy (including all major energy enterprises, authorities and institutions such as Pemex, CFE, L&FC, CRE, CONAE, IMP, IIE and FIDE), which coordinates with SEMARNAT for the analysis, definition and monitoring of activities, projects, and policies on CDM and climate change that affect the national energy sector.

When a project is submitted to the DNA, the COMEGEI Secretariat distributes copies of the applications to the participant ministries, who submit an opinion within 10 days. If no comments are provided, the project is considered approved. An audit is conducted by the project assessment group, which must reach a consensus within the next 20 days, after hearing the views of other parties or groups involved. When this process is concluded a formal letter of approval, request for clarification, or letter of rejection is issued.

The documents required for projects seeking a letter of approval are:

- Documents showing the legal existence and address of the requesting party;
- The PDD, as required by the CDM Executive Board;
- A description of how the project will contribute to sustainable development;
- An EIA, if required by Mexican law; and
- A written commitment to deliver an annual report to the DNA on the results of monitoring, certification, issuance and sale of CERs.

Projects in early stages are only granted letters no objection, in which case the required documents are:

- Documents showing the legal existence and address of requesting party; and
- A brief description of the project proposal using a provided PIN template.

The criteria used for analyzing the contribution to sustainable development include: fulfillment of national environmental regulations; contribution to improve the economic and competitive situation of Mexico (e.g. through investment, wealth generation, employment and/or technology transfer); and contribution to maintain or improve the quality of life of communities (e.g. by providing well paid permanent jobs, promoting equality, improving community health, creating or improving local infrastructure, and promoting capacity building).

PERU [1,4,6]The National Environmental Council (CONAM) was appointed in 2002 as the Peruvian DNA. It has authority to establish the CDM regulations and to sign agreements for its promotion. As these two activities may incur some conflict of interest, the National Environmental Fund (FONAM) has been entrusted with the latter task leaving CONAM with the evaluation and approval of CDM projects.

The documents required to review a potential CDM project are:

- Written request to consider it as a CDM project;
- The PDD, as required by the CDM Executive Board;
- Documents proving that the project fulfills national and local regulations.

Once a project has been submitted for evaluation, CONAM sends copies of the PDD to all members of an Ad Hoc CDM Project Committee[a] and then visits the project location, interviews local people and prepares a report on the contributions to sustainable development. A meeting of the CDM Project Committee subsequently provides its recommendations. The approval process is designed to take no longer than 45 days.

The criteria used to assess contributions to sustainable development include compliance with environmental regulations (including EIA if required), consistency with sectoral and environmental policies, technology to be used, coherence with environmental targets and legal framework, relationships with local communities and completeness and consistency of information required in the PDD.

IN CONCLUSION, of the five DNAs reviewed, all are public entities with four reporting to the Ministry of Environment or its equivalent and one (Brazil) to the Minister of Science and Technology. The activities of the DNAs are overseen by steering committees comprised of staff from different institutions, indicating a wide distribution of information on CDM regulations and initiatives among different stakeholders, improving the countries' capacity to deal with CDM. The ministries of foreign affairs, energy and agriculture are

Readers that are interested in presenting their experience or activities are requested to submit an outline to the editors (info@climatebusiness.net); details on type of content and the publication schedule can be found on our Web site http://www.climatebusiness.net. Please note that articles should not exceed 2,000 words!

usually permanent members of those committees and there seems to be a clear division of institutional responsibility and accountability among the participant institutions.

When these DNAs consider a project they all require the PDD in the format established by the CDM EB and proof that the project fulfills national environmental regulations. Other requirements vary: Argentina, Brazil and Mexico require a description of how the project contributes to sustainable development; Chile asks for a document indicating that participation in the CDM is voluntary; Brazil requests the validation report and copies of the invitations for comments that were sent to different stakeholders; and Mexico and Brazil require a commitment to submit reports on the results of the certification of CERs. The approval process takes no longer than two months in all cases.

The five countries have different models regarding the role of the DNA in promoting CDM projects. In Argentina and Mexico, the DNAs do have responsibilities for promoting the development of CDM projects. In contrast, the DNAs in Brazil, Chile and Peru only evaluate and approve projects. Brazil does not have a governmental institution that promotes CDM projects; this is done by the private sector. In Peru and Chile, the promotion responsibilities are assigned to other institutions working on economic development and export initiatives.

Argentina is the only country that requires a GHG technical assessment in its review process. The other four countries only evaluate the sustainable development contribution, leaving the technical assessment to the Designated Operational Entities. The criteria established to assess the contribution to sustainable development also vary among the countries, ranging from assessing the project's compliance with the existing environmental legal framework, to considering the contribution to improvement of the economic and competitive situation of the countries, and improvement of the quality of life in communities.

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9. *http://www.mct.gov.br/index.php/content/view/14786.htm*

[a] *Composed of one representative of each of the following institutions/groups: the governmental sector to which the project belongs; FONAM; the private sector; NGOs; the Peruvian International Cooperation Agency; the Ministry of Foreign Affairs and Proinversion. It also includes the head of the Climate Change Unit, a maximum of two environmental impact assessment sectoral experts and a maximum of two other experts.*

CDM Activities in Peru and Pakistan – Role of DNAs, by Harish Kumar Jeswani and Karla Solis, Centre for Environmental Strategy, University of Surrey, UK

THE KYOTO PROTOCOL OF 1997 IS A MAJOR STEP IN ADDRESSING THE PROBLEM OF CLIMATE CHANGE as it legally binds industrialised countries to reduce their greenhouse gas emissions by 5.2 percent below 1990 levels by 2012. It also encourages developing countries to actively participate in climate change activities through the Clean Development Mechanism (CDM), which allows investors from developed countries to earn emission credits for investing in clean technology projects in developing countries. Under the CDM, developing countries may also receive technical and financial support from investor countries and programmes that helps them in their efforts towards obtaining sustainable

development benefits from the projects. Therefore, developing countries institutions have a key role to play in this process, as CDM projects must first be approved by them in order to ensure that national interests are incorporated. The environmental integrity and commercial attractiveness of CDM projects further depend on making the related processes straightforward, equitable and cost-effective.

In order to ensure that CDM projects fulfil the sustainable development and emission reductions objectives, participating countries are required to propose a national authority, (Designated National Authorities or DNAs), for the approval of projects. The DNAs' roles include functioning as "one stop shop" points of contact for CDM project developers, co-ordinating with all relevant governmental departments and institutions and approving CDM projects under established sustainable development criteria.

This article compares the design, functions, activities and role of DNAs in promoting CDM in Peru and Pakistan. These two countries have been selected due to the fact that Pakistan has been slow to get involved with the CDM as it only ratified the Protocol in early 2005 after it came into force, while Peru has shown more involvement.

INSTITUTIONAL SETUP As the Marrakech Accords do not specify which institutions should act as DNAs, different countries have taken distinctive approaches to design their CDM institutions. For instance, in some countries these authorities have been appointed within an existing ministry with advisory members from various other government agencies, such is the case of Pakistan; while in other countries, the DNA is located in public environmental institutions, as in Peru.

The process of promoting and approving CDM proposals in host countries depends on the way that DNAs are designed and structured and this can influence or be influenced by the investment environment in those countries. Indeed, national approaches that have lower transaction costs, less bureaucratic hurdles and faster approval processes will be more attractive to CDM investors given similar levels of country attractiveness for investment in general. The design and working modality of DNAs depend on each country's administrative culture, CDM potential and funding. For instance: a DNA operating under a ministry has the advantage of having least administrative costs but it is highly unlikely to have all the expertise required to assess a wide range of projects; a multi-department (or ministerial) advisory setup will draw upon the expertise from different departments, but due to the need for consensual decisions, delays in the approval process are likely; environmental institutions have the advantage of a relatively straightforward decision making process, however, they would have to bear higher administrative costs.

PERU The Peruvian government begun to establish climate change institutions and became active in CDM activities in the middle of the 1990s. The National Climate Change Commission was formed in 1999 and the National Environmental Council (CONAM) was established as DNA in 2002, the same year that Peru ratified the Kyoto Protocol. CONAM is responsible for national environmental policies, including climate change, with a team of five members. An *ad-hoc* committee (consisting of permanent members [CONAM, the National Environmental Fund/ FONAM, the state Office for Promotion and Private Investment/ProInversion, the Ministry of Foreign Affairs and the International Cooperation Agency[1]] and project-related members [at least four from the related line ministry for the project, an NGO representing the local community, a national expert on EIA and other experts]) reviews sustainable development impacts of project submissions

PAKISTAN Due to various reasons, including, pressure and weak institutional support, Pakistan was very passive towards the Kyoto Protocol until 2005 when it ratified. Soon thereafter, the DNA was established in the Ministry of Environment with the mandate to manage the CDM process efficiently and transparently and in line with national sustainable development goals. The DNA consists of a national CDM steering committee, a technical committee and a secretariat and works under the guidance of the Prime Minister's committee on climate change. The steering committee consists of representatives from various ministries and government agencies and has provisions for corporate sector representation. The role of both the steering and technical committees is mainly to provide advice on policy and technical issues to the secretariat that was recently established within the Ministry of Environment and is responsible for most of the DNA tasks (focal point for CDM projects, evaluation and approval of project proposals).

CDM ACTIVITIES

PERU The activities that the DNAs are undertaking also differ from country to country. In Peru, a national strategy for CDM was developed in 2003, which was later incorporated into the country's environmental plan. To date, the CDM portfolio consists of 26 projects that are divided into two categories; energy and forestry. The energy category has 21 projects in four main areas (hydroelectricity, transportation, waste management and biomass that aim to reduce 3.5 $MtCO_2$/year, requiring a total investment of nearly 900

million US$. The forestry category identified five potential projects with afforestation and reforestation activities, that aims to cover 28,000 hectares of land and to achieve reductions of 110 ktCO2e/year for which an investment of 28 million US$ is needed. Peru has already registered two CDM projects, three more are being processed and several are at the planning stage.

PAKISTAN The CDM provides tremendous opportunity for Pakistan to improve industrial efficiency and develop clean and renewable energy. However, due to the late start of institution building, there is little information and knowledge about potential CDM opportunities. So far, no CDM project has been proposed, but the government has recently approved a CDM operational strategy which lists the roles and responsibilities of the DNA and the procedure for processing PDD applications. It allows unilateral, bilateral and multilateral projects in the following sectors: renewable energy, energy conservation and fossil-fuelled cogeneration; land use, land use change and forestry, soil conservation, sustainable forest/rangeland management, including afforestation; agriculture and livestock practices; waste management such as landfills, solid waste management, recycling, livestock wastes; mass transit systems, cleaner engines, CNG conversions; and industrial processes. Other sectors may be considered by the Authority at the request of the local or foreign investors provided they are in line with the objectives of the CDM.

SYSTEMS & PROCEDURES FOR ASSESSMENT OF CDM PROJECTS

PERU CONAM assesses sustainable development benefits of CDM projects on a case-by-case basis and focuses on five aspects:

- Compliance with Peruvian Environmental Impact Assessment (EIA) regulations;
- Consistency with specific sectoral and development plans;
- Consistency with the Peruvian environmental agenda;
- Application of proven technology;
- Consideration of the stakeholders' and local community needs.

A CDM project requires a letter of approval from CONAM and a report on the potential CDM project. The report is discussed in an ad hoc committee meeting. CONAM states that its CDM approval process takes 45 days with no charge for the project developers.

PAKISTAN To attract investors, an incentive of 'no income tax or duty' on transfer or sale of CER is part of the operational strategy in Pakistan that also lists national sustainable development criteria which the proposed project must meet in order to get approval from the DNA. These criteria fall under five headings: general; environmental; social; economic; and technological. The PDD approval time has been set at 30 days after receipt of the document. In the past, most environmental policies and programmes have unfortunately not been able to make a major impact on environmental problems in Pakistan because of political instability, lack of progress in institution building, lack of awareness in the government administration and bureaucratic hurdles. Such constraints, if they continue, might also affect the CDM process, especially as each project must be reviewed by several ministries and departments.

[1] *FONAM and ProInversion also have the task to promote the CDM by supporting national and international project developers on designing a CDM project idea*

Nicaragua, by Marina Stadthagen, Oficina Nacional de Desarrollo Limpio y Cambio Climatico

THERE IS GREAT POTENTIAL FOR DEVELOPING CDM PROJECTS IN NICARAGUA, firstly because it is a country blessed with abundant renewable resources and secondly because 80% of its electricity is produced with fossil fuels. Estimates for hydroelectricity are as high as 5,582MW and the geothermic potential is estimated at 1,200MW. Since Nicaragua is an agricultural country, waste from this sector can be used for energy generation. Furthermore, 70% of the land resources of the country are suitable for forestry and there are now more incentives to enter into this sector. So, even though Nicaragua is a small country, it might soon generate an attractive amount of Certified Emission Reduction (CERs).

THE NATIONAL DESIGNATED AUTHORITY OF NICARAGUA is a specialized unit on climate change and an affiliated entity of the Ministry of the Environment, MARENA. It was created by a Presidential Decree in February 2002 and named the *Oficina Nacional de Desarrollo Limpio* (ONDL). In March 2002, the ONDL was established with the support of the United Nations Development Programme (UNDP), and since then has been working with limited resources, mainly provided by private sector donations and international aid.

Nicaragua is a small country with limited resources, both economic and human, so ONDL has the mandate to perform both regulatory and promotional functions, dealing with the Marrakech Accord-mandated regulatory function of the CDM and taking the lead on the evaluation, approval and registration of CDM projects. The ONDL usually has one full-time and one part time employee dedicated to these CDM processes with occasional assistance when more resources are available.

The ONDL is supervised by an Executive Board that includes other governmental and private institutions and presided upon by the Ministry of the Environment. The Board includes representatives of the Ministries of Foreign Affairs, Agriculture, and Finance, as well as from the National Energy Commission, Institute of Municipalities, National Council of Sustainable Development, and Central Bank. Private sector representatives are from the Association of Private Banks, Chamber of Industry (CADIN), Private Sector Council (COSEP), Union of Agricultural Producers and Husbandry (UPANIC and UNAG) and two representatives of civil society. The Executive Board approves DNA work plans and procedures and has the ultimate authority to approve potential CDM projects.

IN 2003, THE ONDL DEFINED A SIMPLE TWO-STEP PROCESS FOR THE EVALUATION OF PROJECTS, one of the simplest in the continent. For the first step a Project Idea Note (PIN) should be submitted that allows the ONDL staff to pre-evaluate projects. This requirement was set with the objective of preventing project developers from wasting time and resources in fully developing an idea that might not be approved. In addition to the PIN, developers are requested to submit a copy of their company's legal registration papers, and a letter from the municipal government where the project is to take place, confirming that the project is congruent with local development plans. Once those requirements have been met, the ONDL issues a Letter of No Objection within 15 days, and signs a Cooperation Agreement with the developer. Under this Agreement, ONDL commits to reviewing and evaluating the project and to support the developer in the sales of CERs if requested while the developer commits to providing ONDL with all the information necessary for the evaluation of the project and to keep it informed on the status of validation, verification and certification. Furthermore, the project developer commits to paying the ONDL 2%, if it is requested to find a buyer for the CERs, and to cover costs such as travel to the project site.

With the Agreement and Letter of No Objection in hand, the developer can proceed to step two: presenting the Project design Document (PDD) and requesting a Letter of Approval. Once the PDD has been submitted, ONDL posts it on its website and places copies in the Document Center of the Ministry of the Environment and in the office of the Ministry and/or Municipality in the pertinent region. The project developer announces the availability of the PDD in the newspapers and sets the date for a public consultation (a session during which comments are received and answered)**.** All comments on the PDD must be submitted in writing to the ONDL 3 days prior to the consultation. Having cleared public comments, the final approval of the project is granted by ONDL on behalf of the government of Nicaragua no more than 30 days after the public consultation.

The ONDL limits its comments to the assessment of sustainable development for which it has developed general criteria which must be met by all projects, as well as criteria which must be met by projects in the energy sector. Criteria for forestry sector projects are still under preparation. The general criteria for all projects are:

- Projects must use the methodologies, procedures and requirements established by the Kyoto Protocol and its instruments;
- The benefits of the project must be real, measurable, and long term; and
- Projects must be congruent with existing national legislation.

Energy sector projects must:

- Contribute to the achievement of national plans and strategies, such the National Strategy for Economic Growth and Poverty Reduction, National Energy Policy, and National Development Plan;
- Be congruent with the National Environmental Plan, National Biodiversity Plan, and other environmental strategies and plans;
- Contribute to the adoption of environmentally friendly technologies, their use and good practice;
- Contribute to the utilization of renewable energy sources and/or national alternatives for electricity generation;
- Contribute to job creation;
- Contribute to a decrease in fossil fuel import, decrease in deforestation, and/or pollution.

AMONG THE PROMOTIONAL FUNCTIONS THE ONDL PERFORMS ARE, among others:

- Promoting the inclusion of CDM opportunities in national planning;
- Promoting the CDM portfolio nationally and internationally;
- Disseminating information to investors, entrepreneurs, and the general public;
- Providing technical support to potential CDM project developers;
- Searching for appropriate CER buyers;
- Facilitating the negotiations between local sellers and international buyers of CERs.

THE FIRST NICARAGUAN CDM PROJECT WAS RECENTLY REGISTERED, San Jacinto Tizate, a geothermal project. Two other energy projects are in the process of validation and one forestry project is at an advanced stage of preparation. Approximately 15 energy projects are finishing their pre-feasibility and feasibility studies and integrating carbon financing. One of them, a 15MW wind project, has already obtained its Letter of No Objection and in the forestry sector, there are a couple of project developers doing feasibility studies.

Thailand, by Phorntippha Prathumratna Kerr

AS OF APRIL 2006, it is impossible to know exactly what the Designated National Authority (DNA) structure and processes will be as Thailand's Government, Cabinet and the Prime Minister have not yet been approved due to an election dispute. Even once this is settled, the DNA body and process will not change quickly unless the new Cabinet prioritizes global environmental issues and the Clean Development Mechanism (CDM) as a tool for Thailand's sustainable development. This article summarizes the draft set-up Thailand's DNA and tries to make sense of the present situation.

THAILAND RATIFIED THE UNFCCC IN DECEMBER 1994 and signed the Kyoto Protocol in February 1999, ratifying it in August 2002. In September 2002, the Cabinet passed a resolution stipulating that GHG reduction/CDM projects that are joint ventures with international entities must be submitted to the Cabinet for consideration on a case-by-case basis. Subsequently, and after several changes, the Ministry of Natural Resources and Environment (MONRE) was assigned to be the DNA in 2003 and charged with coordinating and structuring CDM operations for the first commitment period. MONRE's Office of Natural Resources and Environmental Policy and Planning (ONEP), as the DNA secretariat is responsible for developing a draft national CDM strategy, including clear rules and regulations, national criteria, and procedures for developing CDM projects in Thailand. The basic elements for CDM project development have already been drafted including a proposal to return project approval back to the DNA.

There are presently five main entities participating in structuring Thailand's CDM framework: MONRE/DNA, ONEP/DNA secretariat, the National Climate Change Committee on the UNFCCC (NCUNFCCC), the National Environment Board (NEB), and the Cabinet. NEB, the highest policy making body on environmental issues, is chaired by the Deputy Prime Minister with ONEP acting as secretariat. NCUNFCCC is now an NEB sub-committee with the Minister of MONRE acting as chair. The main function of NCUNFCCC is to advise on and coordinate the country's climate change strategy, oversee the implementation and follow-up of Convention issues, and develop national policy on climate change. A tentative set of sustainable development criteria and indicators was approved by the NCUNFCCC in 2005.

The present CDM institutional framework has been highly criticized and has discouraged many international and Thai investors, so, following ONEP work on public awareness and local capacity building, changes are being proposed.

CURRENTLY, THERE ARE 9 STEPS TO THE CDM APPROVAL PROCESS, as well as an optional preliminary consultation for the first step. While there appear to be many steps, in practice, the process is much less complicated; the DNA secretariat is responsible for the entire approval process, presenting the project to the Minister only at the end for the official signature. The various actors involved in the 9 steps are detailed not to complicate matters, but to show the transparency of the process. If the project is clean and sustainable, it will have little problem being approved.

Step 0: Preliminary consultation (Optional) Though this step was deemed optional, it is an essential step of the project formulation process involving consultations with concerned ministries and/or relevant authorities for opinions and recommendations. During this stage, valuable information is gathered and several key points

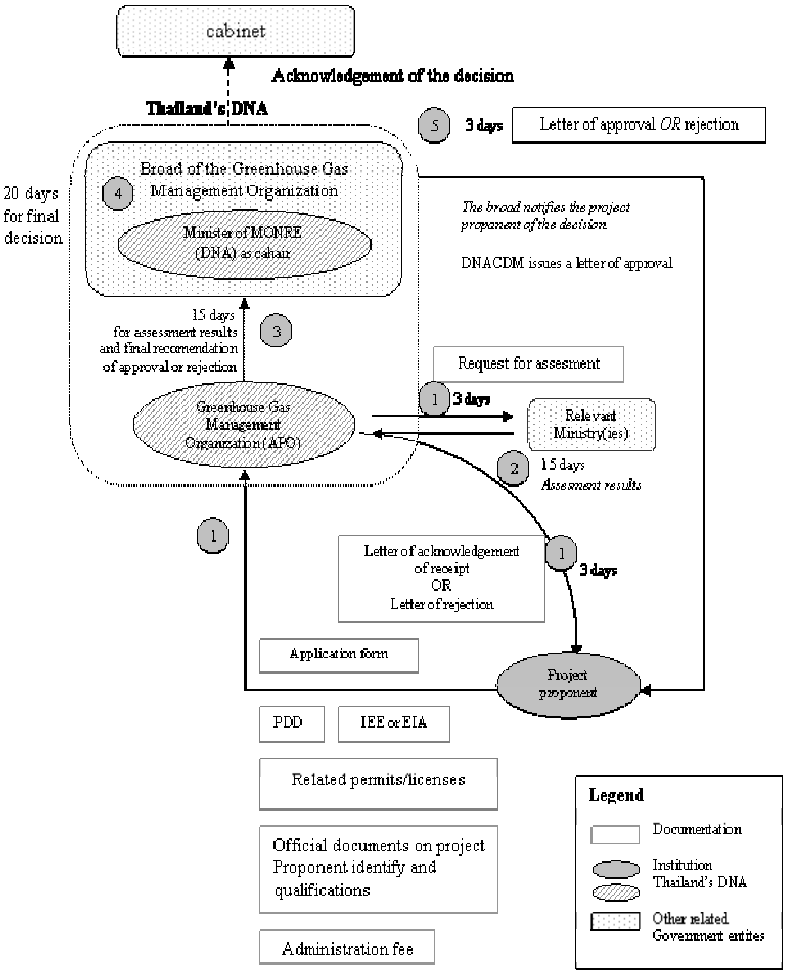
could be included or discarded – which is essential to the formulation of an acceptable project. Should the proposed project receive an unfavorable response, there would be ample opportunity for revisions, or in an extreme case, to consider an alternative approach.

Thai culture is based on human interaction so, if at this early stage, the project proponents develop channels of communication with relevant ministries and authorities, the likelihood that the proposed project would be granted approval is increased. It is thus quite important to utilize this stage not just for information gathering, but as a means to establish new ties and connections with authorities, which could prove valuable at a later stage.

Stage 1: Registration and Initial Check This stage involves submission of the following documents to the DNA Secretariat:

- Application form;
- PDD;
- IEE or EIA;
- Permits or Licenses from local/national authorities;
- Qualifications of project proponents.

Figure 1: Thai CDM Process



CDM project approval procedure (draft of phase 1)
Source: CDM Country Guide for Thailand (IGES, Ministry of the Environment , Japan, Office of Natural Resources and Environmental Policy and Planning,
Biomass One-Stop Clearing House)

If approved, the DNA Secretariat will issue a letter to the project proponent acknowledging receipt and will also facilitate obtaining technical support and recommendations from two other entities – the CDM expert group, and the relevant line ministry. However, it is at this point that some major obstacles appear; for one, the approval of the proposal is dependent upon a decision of the Minister of MONRE whose attention is more focused on considerably larger projects so unwanted delays could occur at this point further endangering CDM project development. It might be more effective if the DNA were to be separated from MONRE by designating an independent body or structure.

Step 2: Policy and legislation assessment by line ministries & Step 3: assessment by technical expert group These stages involve a review of the project's merits through consultations with the proponents, a detailed review of the feasibility studies and associated data, an assessment of the

project's compliance with Thailand's sustainable development criteria, and consideration of public participation in project development. At this point, a well-informed proposal, a healthy understanding on the dynamics of the changes of socio-economic conditions over time and sound feasibility studies and information base, are important.

Step 4: Recommendation of project approval or non-approval The DNA Secretariat reviews the assessments and recommendations of the technical expert group and the relevant ministries, together with comments received from the public. It then makes a recommendation to the NCUNFCCC for approval or rejection of the project.

Step 5: Approval decision by the NCUNFCCC The NCUNFCCC reviews the assessments and recommendations from the DNA Secretariat, CDM expert group and relevant ministries, and decides whether to approve or reject the project. The meeting schedule of the NCUNFCCC is made publicly available through the DNA's website supporting transparency and predictability by giving the project developer certainty of when his application will be considered and how long the decision will take.

Step 6: Issuance of a letter of approval If the NCUNFCCC approves the project, the DNA then issues a Letter of Approval (LoA). If the project is not approved, the project developer will be invited to re-submit revised documentation. The draft process for requesting a Letter of Approval (LoA) involves: the Cabinet, NEB, NCUNFCCC, ONEP and the relevant line ministry.

Step 7: Cabinet approval (if necessary) In specific cases, particularly with a large-scale project or one involving foreign cooperation, the NCUNFCCC will forward the proposal to the National Environment Board and the Cabinet for final approval after which, Step 6 is applied.

Step 8: Post-approval In order to keep track of Certified Emission Reduction credits (CERs) generated in Thailand, the project developer is required, in the 'host country letter of approval', to submit reports on periodic monitoring, verification, and certification to the DNA. The DNA Secretariat updates the CDM Registry with data on CERs issued.

Step 9: Cabinet approval It may be necessary to obtain Cabinet approval and this will add an indeterminate amount of delay to the timescale for CDM project processing.

AT PRESENT, THERE ARE 2 PHASES OF APPROVAL CRITERIA AND PROCEDURES:

- Phase 1: for the energy and industrial sectors or those activities that are involved in energy production, transformation, and consumption by power producers and industrial users. The NCUNFCCC has already approved tentative criteria and sustainable development indicators that will be revised after six months of implementation. The lessons learned could be adopted in the second phase planning process;
- Phase 2: implementation will focus on setting procedures and criteria for other sectors and identification of which specific sectors is in process.

IN SUMMARY the CDM project approval procedure is a bit rigid. Although the approval structure may look rigid, the Thai system in practice is not. More important than the structure are the people behind it; Thai DNA officers are friendly, cooperative, supportive and will work with potential investors to navigate the system and ensure a beneficial outcome for everyone.

Egypt, by El-Sayed Mansour and Samir Tantawi, Climate Change Unit

NATIONAL OR FOREIGN INDIVIDUALS AND/OR COMPANIES that plan to develop activities with climate change mitigation measures in Egypt, either for reduction of emissions and/or sequestration of GHGs, should submit CDM projects to the Egyptian Bureau for CDM (EB-CDM)—see table 1 below.

Egypt has established smooth approval and endorsement procedures for CDM projects to promote national CDM initiatives and to attract international CDM investments; these include transparent steps, starting from the project idea to its approval by the Council. The submission procedures include two main steps:

- Preliminary evaluation of the project proposals; and
- An in-depth review of the PDD.

Listings of eligible thematic areas for CDM projects are included in the Marrakech Accords, decisions of the Executive Board and recent decisions/guidance of the COP/MOP.

Table 1: Members of Egyptian Bureau for CDM

#	Name	Title
1-	Dr. Mohamed S. Khalil	Head; CEO of Egyptian Environmental Affairs Agency (*EEAA*)
2-	Dr. Eng. El-Sayed S. Mansour	Deputy; Ministry of State for Environmental Affairs
3-	Dr. Mohamed A. El-Shahawy	Minister of State for Environmental Affairs
4-	Mr. Ahmed Hegazy	Minister of State for Environmental Affairs
5-	Dr. George Kondos	Minister of State for Environmental Affairs
6-	Dr. Attia Saad El-Dien	Ministry of Industry & Foreign Trade
7-	Eng. Maher Azziz	Ministry of Electricity & Energy
8-	Mr. Samir Tantawi	Coordinator; Ministry of State for Environmental Affairs

PRIOR TO ADDRESSING MORE COMPLEX QUESTIONS RELATED TO PDD preparation, the approval procedures require a preliminary evaluation that will address two crucial questions:

- Does the project result in real, measurable, and long-term emissions reductions that are additional to what would have occurred under a base-line situation? and
- Does the project result in sustainable development benefits for Egypt?

This Step is important as it provides for a quick feedback from the Bureau on the projects, and helps the project proponents to decide immediately whether it would be worthwhile to continue the project preparation process or not, and thus to avoid wasting significant resources for projects that might, at the end, not be accepted as CDM projects.

To allow for expedited procedures, the Egyptian Council for CDM (EC-CDM)--see table 2--will deliver either a "Letter of No Objection" to the project holder to continue the development of the project, or a negative response within two weeks. The approved profile will be the basis for the formulation of the CDM project in accordance with established modalities and procedures.

Table 2: Members of Egyptian Council for CDM

#	Name	Title
1.	H.E. Eng. Maged George	Head; Minister of State for Environmental Affairs (*MSEA*)
2.	Dr. Mohamed S. Khalil	Deputy; Ministry of State for Environmental Affairs
3.	Dr. Eng. El-Sayed S. Mansour	Coordinator; Ministry of State for Environmental Affairs
4.	Dr. Mohamed A. El-Shahawy	Ministry of State for Environmental Affairs
5.	Mr. Ahmed Hegazy	Ministry of State for Environmental Affairs
6.	Dr. Essam Bahgat	Ministry of State for Environmental Affairs
7.	Mr. El-Menshawy M. Amer	Ministry of State for Environmental Affairs
8.	Mr. Omar Abou-Eish	Ministry of Foreign Affairs
9.	Eng. Rafik Y. Georgy	Ministry of Electricity & Energy
10.	Mr. Mostafa Abdel Latef	Ministry of International Cooperation
11.	Dr. Hassan Mokhtar	Ministry of Transportation
12.	Dr. Hani Barakat	Ministry of Industry & Foreign Trade
13.	Dr. Aly El-SHerbiny	Ministry of Agricultural & Land Reclamation
14.	Eng. Ossama Nour El-Dien	Ministry of Petroleum
15.	Mr. Alaa Thabet	Ministry of Investment
16.	Mrs. Moshira Taher	Ministry of Finance
17.	Dr. Hamed Hendawy	NGO

The preliminary evaluation, undertaken by the EB-CDM, includes the following steps:

- Examination of the documentation submitted by the project proponents to check that the project meets the Egyptian requirements. For this purpose, a Project Profile (PP) should be transmitted to the EB-CDM; the template of the PP can be downloaded from the Egyptian DNA website (www.cdmegypt,org). The PP includes basic information on the project, such as
  - Contact information and project participants;
  - Overall description of the project, including, location, thematic area, status;
  - Expected emission reductions and anticipated CER revenue;
  - Financial structure of the project;

- Project eligibility check on the basis of the PP, and if required after discussions with the project proponents, if it
  - Leads to real and measurable GHG reductions
  - Has no external negative impacts
  - Is in conformity with the Egyptian rules, in particularly those related to environmental regulations;
- Check that the project is in conformity with the sustainable development criteria.

THE CONTRIBUTION OF ANY CDM PROJECT TO SUSTAINABLE DEVELOPMENT must be determined within the national context in keeping with national development goals, constraints, and natural resource endowments. Setting clear eligibility and selection criteria and encouraging experimentation with new project concepts are important if the CDM is to be effective as a tool for sustainable development as well as for reducing GHG emissions. Table 3 lists sustainable development criteria developed in Egypt's National Environmental Action Plan (NEAP); they are also addressed in the National Strategy Study on the CDM and other policy documents.

Table 3: Selected List of Sustainable Development Criteria

Egypt, as a host country, must certify that the activities of CDM projects contribute to its sustainable development. The CDM must be oriented to improve the quality of life of the population, especially the most impoverished segments. The CDM must consider the following criteria in the design of activities for emissions reductions and/or uptake (sequestration) of GHG in proposed projects

Environmental Criteria GHG Emission Reductions

- Reductions of emissions from particulates and other elements that affect the quality of the local environment (indicators include levels of pollution avoided, improvement in the quality of environmental factors such as water, air, soil, etc.);
- Reduction of the local environmental pressure (indicators include pressure on biodiversity, pressure on water resources, on soil resources, reduction of natural disaster risks, increase of the resilience of local communities in relation to climate change, increase of capacities for adaptation to climate change);
- Effects of environmental impacts on local health (indicators include index of toxicity of emissions, incidence of respiratory problems or other diseases caused by the environmental impacts of the project, etc.);
- Sustainable use of local resources (indicators include the existence of a Management Plan, accomplishment of the goals of this Management Plan, maintenance or increase of local biodiversity, maintenance or increase of the population of local species, improvement in the management of soils, increased in the productivity of ecosystems).

Social Criteria

- Effects on poverty levels (indicators include increase in employment levels, increase of per capita income, percentage of the population living under the poverty line, other variables for quality of life and poverty);
- Improved quality of life for the members of local communities with regard to social variables (indicators include those on health, education, housing, employment);
- Increase of equity levels (indicators include level of participation of local stakeholders, level of ethnic, generational and gender equity, levels of marginalization of social actors, distribution of benefits);
- Respect of local cultures (indicators include integration of project activities with local stakeholders, appropriate adaptation by local or traditional cultures to the technology used, generation of local engineering and social capacities).

Economic Criteria

- Overall positive impact on the national economy: contribution in creating / expanding / replacing infrastructure, enhancement of Export potential / import substitution, Improving the performance of the national economy, contribution to saving energy (related savings of fuel subsidies, improvement of the balance of payments).
- Effects on the levels of local production (indicators include rate of variation of local GDP, effects on levels of local prices);
- Effects on the level of monetary income of local stakeholders (indicators include percentage of monetary income for service/remuneration of local stakeholders, percentage of investment used in services of Egyptian companies or agencies, etc.);
- Generation of new investment (indicators include: increased flows of financial resources into national Economy, creation of new investment consistent with the needs of local stakeholders, gross formation of fixed capital);
- Effective transfer of technology (indicators include efficient technology in the use of natural resources, technology with a minimum negative impact on the environment than the one used traditionally).

Sustainable development entails a pattern of growth in which economic, social, as well as environmental conditions are equally considered and carefully balanced, leading to living standards for future generations which are equal to, if not better, than present ones. In this respect, environmental protection and a balanced use of natural resources must constitute an integral part of the development process. In Egypt, as the available natural resources must support a rapidly increasing population, sound management of such resources, together with continuous improvements in the protection of the environment are an evident necessity.

The application of sustainable development indicators to CDM project evaluation is a tool for checking how the CDM potential can be used to create synergies with Egyptian development objectives. The first step in this application assesses the impacts of CDM projects based upon the definition and selection of specific aspects and goals that are considered to be important as Egypt's CDM strategy stipulates that projects should basically satisfy, collectively or solely, environmental, social and economic criteria as categorized in table 4. In the future, the evaluation approach will be refined and better formalized to allow for rigorous and expedited assessment of these criteria.

AFTER RECEIVING THE LETTER OF NO OBJECTION from the EB-CDM, the project proponent must prepare the Project Design Document (PDD) and submit it to the EB-CDM before sending to the Designated Operational Entity (DOE) for validation and subsequent approval/registration by the Executive Board of the CDM. A 'National Approval Notification' (Letter of Approval) will be issued to confirm that the project has cleared national procedures and: guarantees the voluntary participation of Egypt in the CDM activity; certifies that the project activities will contribute to the sustainable development of the country; that financing will not be diverted from Official Development Assistance (ODA). The letter will be required by the DOE for validation of the project and subsequent registration by the Executive Board of the CDM.

Table 4 provides an overview of Egyptian DNA statistics while figure 1 shows the full CDM project cycle.

Table 4: Summary of Egyptian Designated National Authority (DNA)

- United Nation Framework Convention on Climate Change signed 09 June 1992, ratified 05 December 1994 & entry into force 05 March 1995;
- Kyoto Protocol signed 15 March 1999, ratified 12 January 2005 & entry into force 12 April 2005;
- Egyptian DNA consists of two main components, Egyptian Council for CDM (Ministerial Decree no.42/2005) & Egyptian Bureau for CDM (Ministerial Decree no. 45/2005);
- Members of DNA:
  - Egyptian Council for CDM headed by H.E. the Minister of State for Environmental Affairs that includes 15 members from 10 relevant ministers & NGOs with 6 representatives from relevant department of Ministry of State for Environmental Affairs
  - 1 representative from each of following Ministries-- Foreign Affairs, International Cooperation, Electricity & Energy, Transport, Industry & Foreign Trade, Agricultural & Land Reclamation, Petroleum, Investment & Finance
  - 1 representative from NGOs
  - Egyptian Bureau for CDM headed by CEO, Egyptian Environmental Affairs Agency (EEAA) that includes 7 members, 5 representatives from Ministry of State for Environmental Affairs & 1 representative each from the Ministries of Electricity & Energy and Industry & Foreign Trade

Meetings

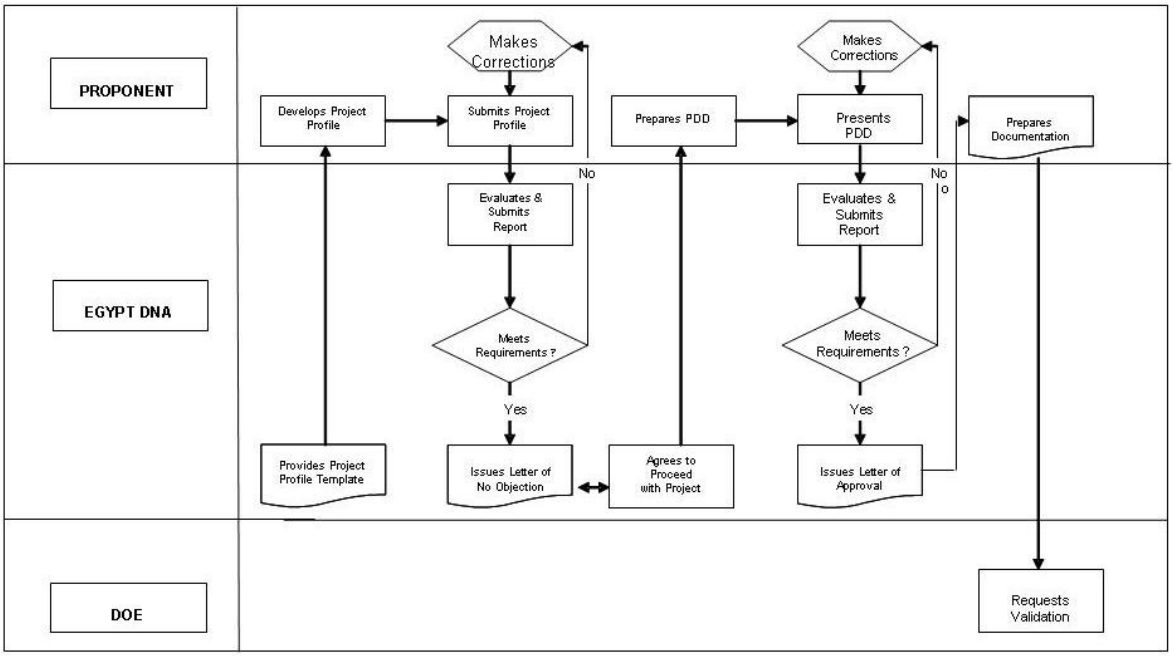
- Egyptian Council for CDM; 5 meetings: March, April & September 2005 and January & April 2006
- Egyptian Bureau for CDM; 10 meetings: 3 in March, 1 each in June & August & 2 in December 2005 and 1 in January & 2 in April 2006

Output

15 projects have been accepted and Letters of No Objection of the corresponding projects have been issued

- "Zafarana 120 MW Wind Power Plant Project", proposed and hosted by Ministry of Electricity & Energy and funded by Japan Bank for International Cooperation (JIBC);
- "N_2O Abatement Project at Abu Qir Fertilizer Company (AFC)", hosted by Abu Qir Fertilizer Company and proposed and funded by CARBON Projektentwicklung GmbH, Austria;
- "Naga Hammadi Barrage Hydropower Project", proposed and hosted by Ministry of Electricity & Energy and funded by Kreditanstalt fur Wiederaufbau (KfW);
- "Damietta Barrage Small Hydropower Project", proposed and hosted by Ministry of Electricity & Energy and funded by Kreditanstalt fur Wiederaufbau (KfW);
- "Assiut Barrage Hydropower Project", proposed and hosted by Ministry of Electricity & Energy and funded by Kreditanstalt fur Wiederaufbau (KfW);
- "Zafarana 120 MW Wind Power Plant Project", proposed and hosted by Ministry of Electricity & Energy and funded by Danish International Development Agency (DANIDA);
- "Tourah Plants Fuel Switching Project", proposed, hosted and funded by Suez Cement Company;
- "14 MW NG GT-Based Cogeneration Project", Proposed and funded by Al-Sindian Paper Mill Company;
- "Onyx Alexandria Landfill Gas Capture and Flaring Project ", Proposed and funded by Onyx Alexandria for Complementary Services in Waste Treatment;
- "Sinai Cement (Gray Plant) Fuel Switching Project", Proposed and funded by Sinai Cement, Egyptian Natural Gas Holding Company and Egyptian Natural Gas Company;
- "Line 3 Greater Cairo Metro Network – Phase 1 & 2 Project", hosted by National Authority for Tunnels, Ministry of Transport and funded by National Bank & Misr Bank;
- "Assiut Cement Plant Biomass Fuel Switching Project", proposed and funded by CEMEX Egypt;
- "Zafarana 85 MW Wind Power Plant Project", proposed and hosted by Ministry of Electricity & Energy and funded by Spain;

Figure 1: Procedures for the Submission of CDM Projects to the DNA



Austria, by Mag. Dr. Gertraud Wollansky Austrian Federal Ministry of Agriculture, Forestry, Environment and Water Management

IN 1998 THE 15 MEMBER STATES OF THE EUROPEAN COMMUNITY (EU 15) decided to use the opportunity provided for in Article 4 of the Kyoto Protocol and agreed to fulfil their Kyoto commitments jointly ("Bubble"). Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, Sweden and the UK redistributed the individual Kyoto targets taking into account the joint commitment of –8% in the so-called "EU Burden-Sharing" Agreement, which is binding for the EU 15.

Under the Kyoto Protocol and based on the "EU Burden-Sharing" Agreement, Austria has committed itself to reduce its emissions of greenhouse gases by 13 % during the commitment period 2008 – 2012 against the base year level. Referring to the base year emissions, the Austrian emission target amounts to approximately 68 million t CO_{2e}.

In order to achieve the target and to close the gap between this commitment and the actual emissions, the Austrian National Climate Strategy defines domestic measures, but additionally also provides for the implementation of the project-related Flexible Mechanisms of the Kyoto Protocol, i.e. Joint Implementation and Clean Development Mechanism.

On this basis, the Austrian Environmental Support Act ("Umweltförderungsgesetz") was amended in August 2003 and introduced the Austrian JI/CDM Programme. Kommunalkredit Public Consulting (KPC) GmbH was put in charge of the Programme Management and acts on behalf of the Austrian Federal Ministry of Agriculture, Forestry, Environment and Water Management (the Austrian Designated National Authority) in this respect. The Directive for the Austrian JI/CDM Programme was published on December 3, 2003. It was amended on November 4, 2004.

The Programme's aims are:

- Purchase of emission reduction credits directly from JI and CDM projects and through participation in funds;
- Financing of particular immaterial services, such as baseline studies etc., which are necessary with respect to JI or CDM projects.

TO FACILITATE THE HANDLING OF SPECIFIC JI OR CDM PROJECTS, the Austrian DNA has concluded "Memoranda of Understanding (MoUs)" with the following countries: Argentina, Bolivia, Bulgaria, China, Ecuador, Indonesia, Colombia, Latvia, Mexico, Morocco, New Zealand, Peru, Romania, Slovak Republic, Czech Republic, Tunisia, Hungary, and Vietnam. These framework contracts form a legal basis for JI/CDM projects and give potential investors a certainty in principle that the respective host country will assent to transferring emission reduction credits generated by accordant projects to the investor country.

The Programme Management of the Austrian JI/CDM Programme publishes regular 'Calls' for projects generating emission reductions under JI and CDM. Thus it guarantees non-discrimination and transparency to all project developers. The negotiation procedure is designed in a way to offer a flexible and efficient approach to those clients who intend to submit their emission reductions to the Austrian Programme. A flexible purchasing procedure is operated which helps to establish long-term relationships with reliable sellers. Further key features of the programme are Austria's AAA rating as a buyer as well as its ability to provide advance payments and upfront funding of JI/CDM project preparation costs. Based on the results of the negotiations, the Programme Management makes a recommendation to the Commission for the Austrian JI/CDM Programme. The Commission may recommend the project to the Austrian Federal Minister of Agriculture, Forestry, Environment and Water Management, who then officially approves the project from the Austrian side.

The Commission for the Austrian JI/CDM Programme was established to provide advice to the Minister of Agriculture, Forestry, Environment and Water Management and has members representing all major stakeholders such as: the Ministries of Environment, Finance, Foreign Affairs, Economy and Labour, as well as all parliamentary parties, the Chambers of Labour, and Commerce, etc.

So far, the Austrian JI/CDM Programme has concluded ERPAs amounting to about 12.6 million tonnes of CO_2 equivalents.

The German Emissions Trading Authority as German DNA, Umweltbundesamt, Deutsche Emissionshandelsstelle (DEHSt)

GERMANY RATIFIED THE KYOTO PROTOCOL ON 27 APRIL 2002. On 22 September 2006, the "Act Implementing the Project-Based Mechanismen of the Kyoto Protocol" (ProMechG) entered into force. With this Act, the German government transposed the EU Directive that regulates the integration of CDM and JI into the European Emissions Trading Scheme (EU ETS/Linking Directive). Since this act entered into force, German companies involved in the scheme can fulfil a part of their reduction commitments by using certificates from climate change projects abroad.

The Federal Environmental Agency (Umweltbundesamt, in short UBA), which is affiliated with the Federal Ministry for the Environment, Nature Conservation and Nuclear Safety (BMU) was given the mandate for Kyoto Protocol issues (emissions trading, Clean Development Mechanism [CDM] and Joint Implementation [JI]) thus making it the Designated National Authority (DNA) for Germany.

UBA's approach for identifying, reviewing and approving CDM projects is determined by ProMechG and the international regulations, especially Article 12 of the Kyoto Protocol, Decision 17/CP.7 of the Marrakesh Accords and the Linking Directive. The project owner must apply in writing to the Agency for approval and include:

- The Project Design Document (PDD);
- The corresponding validation report (objectively and accurately prepared); and
- If a Letter of Endorsement (LoE) or a Letter of Approval (LoA) has been issued by the host country it should be added.

The act explicitly demands that there is no: opposition to sustainable development; contravention of national sustainable development strategies of the host country; serious adverse environmental impacts that may result from the project;sinks or domestic offset projects.

A Letter of Endorsement (LoE) can be issued upon request and delivery of an acceptable Project Idea Note (PIN); i.e., the (internal) guidelines and criteria guaranteeing the general eligibilty as a CDM project have to be fulfilled.

In Germany all activities under ProMechG are chargeable and the Cost Ordinance sets out the framework for UBA to levy charges for full coverage of accrued expenses (see www.umweltbundesamt.de/emissionshandel).

GERMANY'S FIRST CDM PROJECT WAS REGISTERED IN FEBRUARY 2006 by the CDM Executive Board. The "Solar Cooker Project Aceh 1, Indonesia" of Klimaschutz e.V. from Bonn provides one thousand solar cookers that will reduce the demand for firewood on the Indonesian islands of Sabang thus saving 24,500 tons of carbon dioxide over the next seven years. UBA approved the project in December 2005. An earlier British-German cooperation CDM project is in Rajasthan/India, which reduces greenhouse gases by an enhanced technique in the production of refrigerants.

To date, UBA has issued three Letters of Approval (LoA) and has received several requests to issue LoEs and LoAs for which examination is still in progress. The applications filed are for CDM projects on a considerably larger scale (landfill gas and applied biogas technology for advanced waste water management) than the one in Indonesia thus generating a higher volume of CERs..

For CDM, Germany has one Memorandum of Understanding (MoU) with Mexico, but negotiations are underway with other Non-Annex I countries (NAIs) Egypt, Brazil, China, Costa Rica, Peru and Tunisia that are expected to be successfully concluded in 2006. Currently there are more JI projects in the country, especailly in the new EU member states and Russia.

ProMechG WILL BE SUBJECT TO ONGOING AMENDMENTS to incorporate new requirements arising from decisions adopted by the international climate change regime. The Linking Directive will be reviewed in mid-2006 and amendments would require adaptation of ProMechG. Four key issues are of particular interest:

- Capping the use of CDM and JI projects in the EU ETS (supplementarity requirement);
- Preventing double counting;
- The role of national offset projects; and
- Possible integration of LULUCF projects.

However, the EU review is not expected to result in a need for legislative action at the national level before the end of 2006.

UBA REACHES THE NATIONAL CDM COMMUNITY AND INVOLVES STAKEHOLDERS by participating in various meetings and conferences of both the private and public sector and makes presentations on related topics.

The Federal Ministry for the Environment has also initiated a working group "Emissions trading to combat global warming" with members representing the Federal Government, governments of the German Länder and the coalition factions of the Bundestag. There are also representatives of German economic and environmental organisations. The group consists of four subgroups, one of which focuses solely on CDM/JI.

The most relevant stakeholders for Germany's CDM and JI projects are shown in the boxes.

Kreditanstalt für Wiederaufbau or German Development Bank (KfW) Carbon Fund *The KfW bank group has developed its carbon fund to buy certificates from CDM and JI projects that are mainly re-sold to German and European corporations that have to comply with the EU's emissions trading directive. The fund is also open to companies wishing to buy certificates for image or PR reasons.*

Deutsche Gesellschaft fur Technische Zusammenarbeit (GTZ) *An international cooperation enterprise working on sustainable development with worldwide operations. It develops CDM project activities mainly for the German Federal Ministry for Economic Cooperation and Development (BMZ). With its Climate Protection Programme for Developing Countries (CaPP), GTZ supports developing countries in establishing structures to conduct CDM activities. Projects regarding wind, sun, solar energy, water power and biomass are being prepared.*

The Umweltbundesamt (UBA) *is the largest federal scientific authority in Germany dealing with environmental issues and is the main contact point for the public on all questions regarding the protection of the environment. It aims to protect people from harmful environmental influences and save the environment from damaging impacts. UBA was founded in 1974 as an automomous government agency, at first responsible to the German Federal Ministry of the Interior. When the Federal Ministry for the Environment, Nature Conservation and Nuclear Safety was created in 1986, UBA was assigned to the new Ministry. The range of UBA's tasks is complex covering local topics such as traffic noise or potable waters as well as global questions on climate protection. UBA's work has five pillars: scientific, public education, data collection, enforcement of environmental laws and international work.*

German Emissions Trading Authority *In 2003 UBA was assigned the new task of climate protection. In order to meet the demands arising from the provisions of the EU Directive on Emissions Trading and the National Allocation Plan, the German Emissions Trading Authority (Deutsche Emissionshandelsstelle DEHSt) was founded as a new division within UBA. DEHSt covers the entire infrastructure of emissions trading in Germany, except for some responsibilities that remain with the Länder and actual trading. The Authority verifies the information handed in by companies wishing to obtain emissions allowances, scrutinizes and corrects the information where necessary and issues the certificates. It operates electronic accounts for these companies and for trading purposes. The full cycle is completed by the monitoring and sanctioning of installations and operators. DEHSt is also responsible for maintaining the national registry in which all emission allowances and allowance trading are recorded. Further tasks associated with the registry include fulfilment of European reporting requirements and cooperation with the Secretariat of the UNFCCC. DEHSt is also responsible for the transfer and recognition of emission allowance credits from the project-based mechanisms. The German Emissions Trading Authority has its office in Berlin with currently more than 90 employees working in two departments in a client-oriented and broadly IT based fashion.*

The prime source of information on Germany's project-based mechanisms is the UBA/DEHSt internet website on emissions trading www.dehst.de. While mainly in German, some information is in English including the text of ProMechG. Additional news can also be found on the Minstry's homepage www.bmu.de.

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