



CERS

Uphill guide to the

COMPLICATED DEVELOPMENT MECHANISM

It begins with the Executive Board (EB). It is a CoP-appointed body. It comprises of 10 members: 4 from industrialised countries, 5 from developing countries. Only 1 from small island states. This board defines rules for baselines and monitoring plans and for small scale projects. It accredits 'operational entities' (OE).

Now go and apply.

? OEs accredited on the basis of 'required expertise', and pay a fee of US \$15,000 while applying for accreditation. At CoP-8, EB suggested that developing country applicants could pay US \$ 7,500 for accreditation. (That's not a subsidy. They will cough up the rest after accreditation.)

7 applicants so far, 2 are from Europe (Norway and Germany) and five from Asia.

!! OEs have to monitor the projects. Local communities directly affected by projects have a limited role in this process — they can comment on the project before it is approved, and supply inputs as the project moves towards completion.

OE must vary at each step. Small projects can have the same OE. Who becomes OE? Long list in Marrakech Accord and in EB. Practical experience points to large accounting companies. So far, 7 companies certified as OEs: Det Norske Veritas (Norwegian); TUEV (German); 5 from Japan. Of these, 3 don't have previous experience in climate change.

Experience (GEF projects) has shown that local communities and Southern civil society organisations must be directly involved in both project design and monitoring, if their priorities matter.



1. Fill in a project design document (PDD). To OE, for validation. Pay US \$30,000 to US \$50,000.

In-built PDD requirements:

- environmental assessment
- proof that the project is 'additional', and not business as usual.
- define 'baseline'. Could be project-specific (this project will reduce GHG emissions by...), or standardised (EB says this project must reduce emissions by...).
- calculating baselines is expensive (tote up all GHG emissions, look for leakage, huge process). Small scale projects will work with standardised baselines.

OE designs a plan to monitor the project. PDD available for comment. Only for 30 days.

? Of the 30 projects submitted so far, 14 are renewable energy ones. Account for only 20 per cent of all CERs generated. 7 are large hydro-electric projects, some of which approved in pre-CDM era.

2. Take PDD and go to (host country) government.

You need endorsement.

? What are the endorsement rules? Are there any? No public consultations on this.

Host country's burden to make sure that projects meet sustainable development criteria. Plus competition to attract CDM. In short, **no stringent rules.**

!! As with Foreign Direct Investment, considerable corporate pressure on developing country governments to come out with **uniform set of rules** and **make process easy** for investors.

3. Wait. Projects goes to broker.

Brokers invite tenders. Choose projects based on criteria such as project cost, sustainability and social impact. Help host look for investors, and vice versa. Once chosen, the 'crediting lifetime' of the project is decided (maximum 10 years).

!! Broker no. 1, as of now: World Bank's PCF; Dutch CERUPT programme.

4. Wait. PDD submitted to EB for registration. As host, pay US \$5,000 to US \$30,000.

Countries involved in the project can ask for project review within eight weeks of registration.

5. Hold on. Project being completed. OE to verify. As host, pay US \$10,000 to US \$20,000.

Verification based on monitoring report submitted by project participants. Both monitoring and verification reports made publicly available. OE interviews stakeholders.

? How will the reports be made public? Who monitors during project's lifetime? Who listens if problems arise?



6. Be patient. OE to certify that project reduces emission.

? The result of this certification is to be made public. But in what form?

7. Pray. A country involved in project might request review.

If that doesn't happen, project issued Certified Emission Reductions (CERs).

8. Over at last. Now pay for the last time.

? A share of the host country's proceeds goes towards administrative expenses of the Executive Board. **2 per cent to adaptation fund.**

!! Existing CER price considerably low. Worsens situation.

!! Small scale projects, best suited to local community needs, clearly disadvantaged by high transaction costs. **'Bundling up' such projects reduces these costs.** Viability uncertain. Too many partners spoil the project.

