




How to develop a Carbon Finance project?



Assessment of tool - Is this landfill project feasible?

Climate Change Action in Asia and the Pacific:
Lessons Learned and Policy Implications

**A Guide to Clean Development
Mechanism Projects Related to
Municipal Solid Waste Management**



ECONOMIC AND SOCIAL COMMISSION FOR ASIA AND THE PACIFIC

i. How much waste has been dumped into the disposal site?		Score
Tons	Score	
> 3 million	50	
1-3 million	40	
0.75-1 million	30	
0.5-0.75 million	20	
<0.5 million	10
ii. Is the disposal site at least 10 metres deep (considering depth and height)?		
Yes	5	
No	0	+.....
iii. Is the landfill currently in operation? If yes, answer 1. If no, answer 2.		
1. How much waste will be received in the next 10 years? For each 500 000 tons, score 5 points.		+.....
2. If the landfill has been closed for less than 3 years, score 0. If closed for 3 or more years, multiply each year since closure by 5 and subtract that amount from the total.		-.....
iv. Is it mandatory (either by contract or law) to flare/utilize the LFG in the landfill?		
Yes	-10	
No	0	+.....
v. Did any fire occur on the landfill lasting more than one week?		
Yes	-10	
No	0	+.....
Total the answer i-v:		
C. If the score is:		
30 or more: The landfill is a good candidate for LFG recovery/utilization;		
20-30: The landfill may be a good candidate, especially if the area is limited and the landfill is properly managed ("controlled dump" or "sanitary landfill" *);		
Less than 20: The landfill may not be a good candidate.		

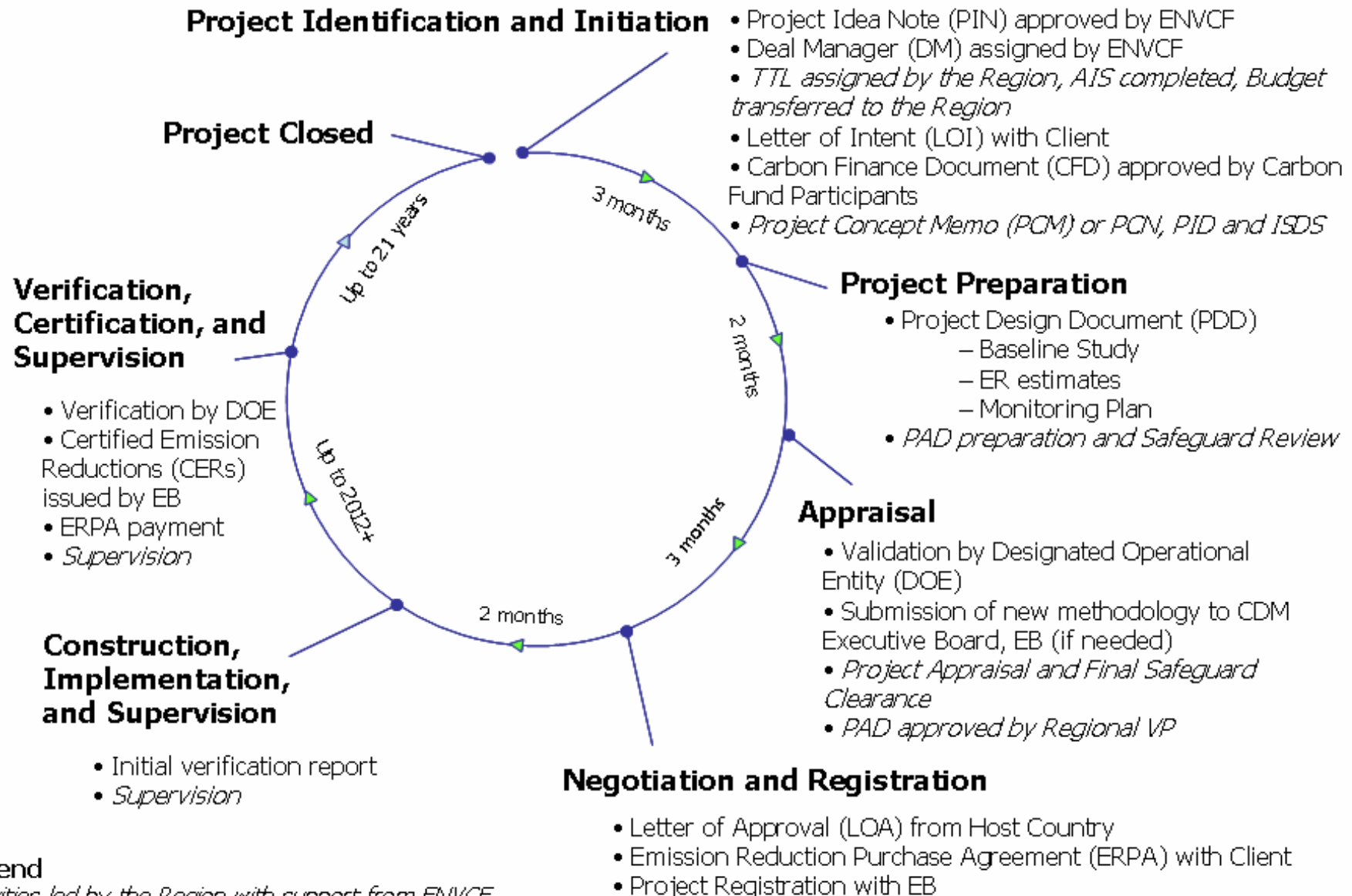
Source: www.unescap.org/esd

Minimum Project Requirements



1	Type of Project	Greenhouse gases targeted covered under the Kyoto Protocol (CO ₂ , CH ₄ , N ₂ O, HFCs, PFCs, and SF ₆);
2	CER Volume	minimum threshold of 50,000 tCO ₂ e/year
3	Additionality	Why the project should not happen without CDM revenue?
4	Project Participants and Institutional Arrangement	Demonstration of sound legal arrangement and technically experienced
5	Viable Business and Operation Model	<ul style="list-style-type: none"> ■ Potential for scale-up ■ Involvement of intermediaries who can invest, bundle, and implement project-related CDM services locally
7	Expected Schedule	Project should be operational by 2008/2009
8	Financing	<ul style="list-style-type: none"> ■ The baseline component of the project should be financed by project developer; ■ Payment on delivery of Emission Reductions.
9	Technical Summary of Project	Project should be replicable and/or facilitate technology transfer for the country;
10	Expected Environmental Benefits	The project can demonstrate sound environmental benefits
11	Safeguard Policies of the World Bank Group	The project must be consistent with the World Bank safeguard policies and the host country's overall sustainable development framework.
12	Contribution to Sustainable Development	As defined by the host country.

Project Cycle



Legend

Activities led by the Region with support from ENVCF
 UNFCCC required processes and activities led by ENVCF

Project Idea Note (PIN)



- PIN - Project sponsors/proponents submit potential projects for consideration to the CFU in the form of a Project Idea Note (PIN). This is a short form (about 6 pages) that provides the basic information about the project. A financial analysis model is requested from the project sponsor. This PIN is quickly evaluated and if it falls within the [project eligibility criteria](#), the CFU will contact the project sponsor for further information.
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Early Notification and Letter of Endorsement (LoE)



- **LOE** - If the PIN was submitted by a third-party project sponsor, and the CFU decides to develop it further, the Host Country (e.g. the UNFCCC National Focal Point) will be notified of the project. When applicable the CFU will ask the Host Country for a letter of endorsement for the project, to ensure that the Host Country approves of the project and understands its follow-up responsibilities under the Kyoto Protocol.
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Carbon Finance Document (CFD)



- **CFD** - CFU experts will investigate further and evaluate particular aspects of the project in discussions with the project proponent and prepare a CFD with the risk assessment. The CFD is an intermediate document that provides enough information on the project to allow the Fund Management Committee (FMC) (and the Participants Committee (PC) if required) to review and clear the project and its further development. The CFD notes areas that need further study after clearance.
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Letter of Intent (LoI)



- **LOI** - The CFU formally signals its intention to purchase emission reductions generated by a specific project under terms agreed in return for the exclusive right to contract for the purchase of emission reductions. By signing this letter the project entity commits itself to repay project preparation costs if it decides not to proceed to negotiate an Emission Reductions Purchase Agreement (ERPA) with the CFU Trustee in relation to the project.
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World Bank Due Diligence

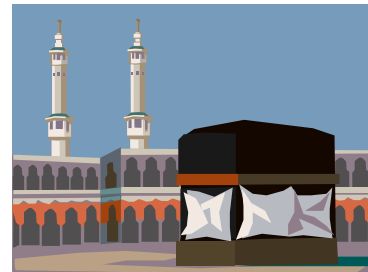


- **World Bank Due Diligence** - All projects must comply with World Bank Group Operational Policies and Procedures, including those on environmental assessment. An Integrated Safeguard Policies review and Environmental Assessment (EA) is performed as a standard part of the appraisal of World Bank Group projects.
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Safeguard Policies



- Environment Assessment
- Natural Habitats
- Forests
- Pest Management
- Physical Cultural Resources
- Involuntary Resettlement
- Indigenous Peoples
- Safety of Dams
- International Waterways
- Disputed Areas
- Disclosure



Baseline Study (BLS) and Monitoring Plan (MP)



- **BLS and MP** - Once the CFU has decided to include the project in the Portfolio, it will commission a Baseline Study and Monitoring Plan, if the project is not applying an approved methodology. The Baseline Study investigates the project-based creation of ERs and explains how those ERs are 'additional' to what would have happened 'anyway' without the project. First, it defines the 'without project' scenario as the baseline. Next, it quantifies the number and timing of ERs created by the project. The MP defines how project operation will be monitored, how achieved ERs are calculated, and how the ERs will be independently verified on a periodic basis throughout the project operational phase.
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Letter of Approval (LOA)



- **LOA** - With the issuance of a Letter of Approval the Host Country formally approves the project for the purposes of Article 6 or 12 of the Kyoto Protocol, and confirms that the project assists the Host Country in achieving sustainable development. A Letter of Approval is a requirement for all JI and CDM activities under the Kyoto Protocol and is therefore a prerequisite for the signing of an ERPA with the CFU Trustee.
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Project Design Document (PDD)



- **PDD** - A project-specific document required under the CDM which will enable the Operational Entity (OE) to determine whether the project:
 - (i) has been approved by the parties involved in a project,
 - (ii) would result in reductions of greenhouse gas emissions that are additional,
 - (iii) has an appropriate Baseline and Monitoring Plan.The PDD is prepared by the CFU and project sponsor.
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Validation



- **Validation** - After the BLS, MP, and PDD have been satisfactorily developed, the CFU engages an Independent Validator (Designated Operational Entity, DOE) to validate them. This means that the Validator agrees that the ERs are additional to the baseline, the MP is sufficient, and that the ERs have a high chance of being certified under the Kyoto Protocol.
 - There are 29 companies list (as of 23 Jan. 2008). For full list of DOE visit:
<http://cdm.unfccc.int/DOE/list/index.html>
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Registration



- **Registration** - The Designated Operational Entity (DOE) contracted to undertake validation, upon the request of the CFU, submits the validation report and validation opinion to the Executive Board, along with a request for registration, together with the PDD, Baseline Study, MP, stakeholder consultation documentation and LoA, plus any other appropriate supporting documentation.
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Pre-Negotiations Workshop / Consultations



- **Pre-Negotiations Workshop / Consultations** - At about the time of validation, the CFU team may arrange a Pre-Negotiations Workshop and/or intensive Consultations on the project. This event brings together the project sponsor(s), the Host Country representatives, and the CFU team assigned to that project. The workshop is an instrument to ensure fairness in the process of negotiating and concluding. During the Workshop, the Host Country representatives are appraised of all important issues which might affect their position in negotiating a Host Country Agreement and an Emissions Reduction Purchase Agreement (ERPA) with the CFU.
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Negotiation of Emission Reduction Purchase Agreement (ERPA)



- **Negotiation of ERPA** - After the Workshop or Consultations, the CFU legal team prepares a 'term sheet' and/or a draft ERPA for further discussion the project sponsor. During the negotiations, the final terms of the ERPA are agreed between the CFU and the project sponsor.
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Initial Verification / project commissioning



- **Initial Verification / project commissioning** - After the project's construction and before its commissioning to produce ERs, the CFU contracts an Independent Third Party (a Verifier) for the project (different from the Validator). The Verifier will establish contact with the project and undertake an Initial Verification, which should confirm that the project is ready to generate verifiable and certifiable ERs. This will trigger the CFU acceptance of ERs from the project.
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Monitoring



- **Monitoring** - As part of project implementation, the project operator must implement the MP, which provides a methodology and a tool for measuring and calculating the emission reductions generated by the project. Once the project starts to generate emission reductions, the project entity monitors the project in accordance with the MP.
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Verification and Certification



- **Verification and Certification** - Verification and certification of the emission reductions will be undertaken periodically in accordance with the MP and other applicable guidelines by a DOE, who is contracted for the project by the CFU. The verifier will submit a verification report to the UNFCCC CDM Executive Board (EB) for a certification, which will confirm that the ERs have been achieved in the verification period in compliance with applicable CDM rules.
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Transfer of Certified Emission Reductions (CERs)



- **Transfer of CERs** - Once the ERs are certified, the CFU will pay for the amount of ERs as agreed in the ERPA and the ERs are transferred to Participants in accordance with the ERPA and/or Host Country Agreement and applicable UNFCCC or other rules.
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Thank you



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