

Procedures and Criteria for Screening, Evaluating and Approving CDM Projects: A Case Study in Kazakhstan



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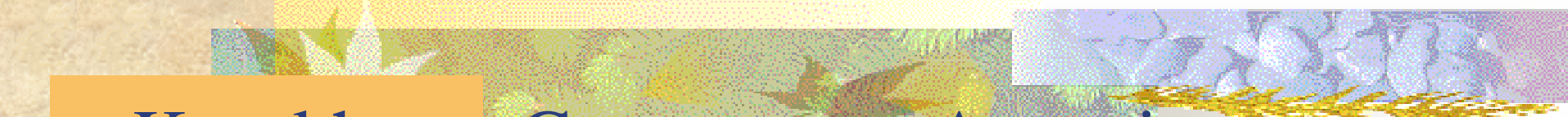


Background

- This work was carried out by AED/IRG under the Kazakhstan Greenhouse Gas Emission Reduction Initiative (GGERI) Project.
- The Project was conducted in association with the Kazakhstan Climate Change Coordination Center (CCCC)
- The work was sponsored by the U.S. Agency for International Development.

Principal Objectives of the Screening, Evaluation and Approval Criteria

- To attract CDM investments by issuing simple and transparent procedures for screening, evaluating and approving projects that will be eligible as CDM projects.
- To determine if project proposals contain all the required information that is necessary to fairly and accurately assess the project for CDM eligibility.
- To ensure that validated projects meet the requirements of CDM criteria and credible emissions reductions are registered.



Kazakhstan Government Agencies Responsible for CDM Projects

- The Inter-Agency Commission on Climate Change (IACCC) is expected to serve as the “National CDM Board” and will have the responsibility for approving CDM projects.
- The Climate Change Coordination Center (CCCC) will act as the Secretariat of the “National CDM Board” and assist the IACCC in accomplishing the goals of the Board.



Principal Activities of the IACCC/CCCC

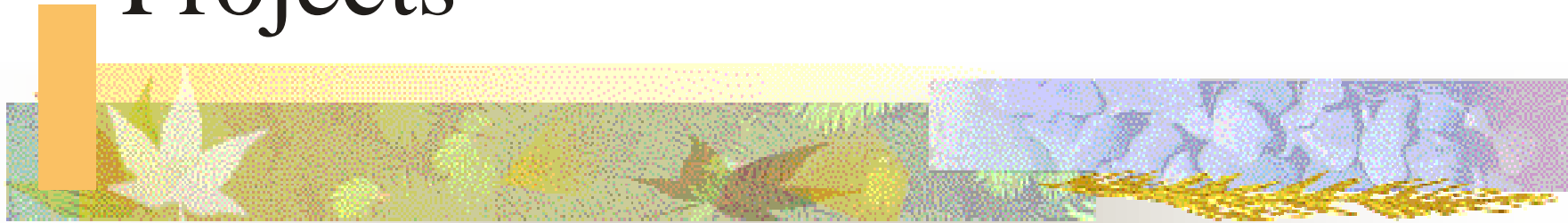
- Validate eligible CDM project activities that
 - (a) meet national priorities;
 - (b) contribute to sustainable development; and
 - (c) result in real, measurable and long-term benefits related to mitigation of climate change;
- Validate baselines associated with CDM project activities on the basis of criteria that are established by international rules and national development priorities;
- Facilitate investments in approved national CDM project activities;



Principal Activities of the IACCC/CCCC

- Establish rules and guidelines for monitoring of CDM project activities to ensure that adequate data is available for independent verification of resulting ERs;
- Track and register the production and transfer of CERs from approved CDM project activities.

Key Steps in the Approval Process for Proposed CDM Projects



[CDM Project Screening Evaluation and Approval
Process.doc](#)



Step 1. Submission of all CDM Project Proposals to the CCCC for Consideration

- All potential project developers will be instructed to submit their proposals to the CCCC to initiate the CDM project review, evaluation and approval process.
- The CCCC will serve as a focal point agency for the dissemination of information relating to the process, format and criteria associated with CDM projects.
- The CCCC will also monitor and track the status of all CDM project proposals that are submitted.
- All project proposals will need to be submitted in the Uniform Project Design Document (UPDD) format.

Step 2. Screening of Submitted CDM Project Proposals by CCCC

■ First Stage Screening

- The objective is to determine quickly if the submitted project proposal (in UPDD format) contains all the requested information.
- UPDD provides the guidelines and format for the minimum information that needs to be submitted by the project.
- This stage only determines the completeness of the information rather than accuracy or quality.
- This screening stage will only require one to two working weeks for the CCCC to process.

Step 2. Screening of Submitted CDM Project Proposals by CCCC (*Cont.*)

■ Second Stage Screening

- The objective is to make a preliminary determination of the acceptability of the proposed project against established criteria for CDM projects.
- This can only be a preliminary determination as the data provided by the project proponent is expected to be at the concept or pre-feasibility stage (a detailed feasibility study and local and national government approval are not required yet)
- This screening stage is expected to require two to four working weeks to complete.

Step 3. Review and Agreement by Relevant National and Local Agencies

- To obtain a preliminary approval of the proposed project concept by the relevant affected local and national agencies.
- Relevant authorities, such as Akimats, municipalities, and/or national ministries with jurisdiction over the project should be consulted.
- If a project proponent has difficulty in obtaining these approvals for a project that has been judged in Step 2 to meet the CDM criteria for Kazakhstan, the project proponent may ask the CCCC for advice and assistance to help obtain the necessary approvals. (CCCC may charge a fee for this service.)

Step 4. Preliminary IACCC Approval as Potential JI/ CDM Project

- Once a project obtains the preliminary approval of the IACCC, it will be classified into one of two categories.
 - Projects with sufficient investor backing proceed to Step 5 of the project development cycle.
 - Projects without sufficient investor support or which do not have a buyer for GHG emission reduction credits will be placed in a portfolio of potential CDM projects for which the CCCC, working in association with “Kazinvest”, will actively seek to find investor support. (CCCC may charge a fee for this service.)
- If a proposed CDM project is rejected by the IACCC, the project proponent will be informed in writing with the reasons for the rejection.

Step 5. Develop Feasibility Study, Define Baseline and MRVP and Secure MoU for CERs

- CCCC will review the project feasibility study, the proposed baseline, and the monitoring, reporting and verification protocol (MRVP) to provide a recommendation to the IACCC for approval or rejection of the project.
- The project may also need to demonstrate through a MoU (or some legal agreement) that the certified emission reductions (CERs) will provide financial support (revenues) for the project.
- Guidelines for determining baselines, MRVPs, and MoUs are beginning to be established by a number of investors.

Step 6. Validation of Proposed CDM Projects and Associated Baselines

- Approved independent agents will carry out a validation review of CDM projects and will issue the validation report to CCCC/IACCC.
- The validation report will include an assessment of:
 - (a) the baseline, including possible indirect emission effects,
 - (b) the project plans, likely compliance with project criteria during project construction and operation,
 - (c) the MRVP, and
 - (d) the expected quantity of emission reductions.
- Based on the validation report, IACCC will approve or reject the proposed project as CDM project.



Step 7. Submit Validated Project for Full and Normal Government Approvals

- Validated CDM projects also need to obtain normal local and national government approvals.
- Projects with government participation are submitted for approval according to the rules of Ministry of Economy, Ministry of Finance, and associated base legislation.
- Private sector investment projects, with no government participation, need to meet existing procedures for project approval established by the Committee of Investments of Ministry of Foreign Affairs and the associated base legislation.



Step 8. Final Government Approval /Registration by IACCC

- This step is essentially a Pro-forma procedure for the CDM Project.
- IACCC formally registers the validated CDM project when all necessary national and local government agency approvals are secured and delivered by the developer.
- The IACCC registration of the project is essential for project tracking, implementation of the MRV procedures and ultimately certification of the resulting project emission reductions.



Step 9. Finalizing Contracts for CERs and Other Project Related Inputs and Outputs

- All contracts for CERs and other project related inputs and outputs should be secured prior to final project financial negotiation and closure.
- The project should also ensure that the purchase agreements for the CERs are not in violation of any agreements or conditions that were made during project validation.



Step 10. Project Financial Closure

- Financial closure is achieved when all contractual arrangements related to project financing, construction, fuel supply, operation and maintenance, performance monitoring and product sales are finalized.
- Also, performance risks, responsibilities and liabilities are allocated and key licenses and contracts for the import of equipment, plant construction and plant operation are secured.
- Financing of projects in Kazakhstan needs to correspond with existing norms and rules that are issued and monitored by the Ministry of Finance.



Step 10. Project Financial Closure (*Cont.*)

- Issues related with financial value of CERs during financial negotiation/closure for projects:
 - Protocols for measurement, reporting and verification of resulting CERs;
 - Quantity, price and delivery date of CERs;
 - Responsibilities and liabilities in case of non-performance with regards to CERs;
 - The implications of a change in the status of the project's validation and baseline reference; and
 - Procedures to resolve impacts of future changes (in the regulatory environment or baseline definition) on a project's capacity to generate CERs.



Step 11. Implementation of Projects and Associated MRVP

- Upon achieving financial closure, a project moves quickly to the project implementation and operation phase.
- In accordance with the KP, CERs of a validated CDM project must be carefully monitored, verified and certified prior to being eligible for transfer.
- The project owner/operator has the primary responsibility for the monitoring of CERs.
- The owner/operator may contract or may have agreed to contract a third party to carry out the emission reduction monitoring functions.



Step 12. Verification and Certification of CERs

- Verification is the periodic auditing of CERs monitoring results and the project's continued conformance with all relevant project criteria.
- Certified independent verification agents or companies could undertake the verification process.
- Verified ERs that meet the criteria of the CDM will be certified by CDM Executive Board designated entities.
- An international CDM registry would need to keep track of the transfer and ownership of all CERs to ensure that CERs are not double counted by countries in meeting their KP commitments.