

CDM-EB84-AA-A05

Concept note

Information needs for project evaluation by climate financing institutions

Version 01.0



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1. Procedural background

1. Paragraph 5(i) of the “Modalities and procedures for a clean development mechanism” (decision 3/CMP.1, annex) mandates the Executive Board of the clean development mechanism (CDM) (hereinafter referred to as the Board) to assist in arranging funding for CDM projects as necessary: “The Executive Board shall make publicly available relevant information, submitted to it for this purpose, on proposed CDM project activities in need of funding and on investors seeking opportunities, in order to assist in arranging funding of CDM project activities, as necessary.”
2. As the conditions of the international carbon market have pushed the certified emission reduction (CER) price to record low levels, many CDM projects (including both individual project activities and programmes of activities) either (i) cannot be implemented, or (ii) are implemented but cannot continue operating in the manner envisaged to reduce greenhouse gas (GHG) emissions. Such projects are likely to be non-operational and constitute missed opportunities to mitigate, because their CER revenues can no longer recover the additional costs for mitigation and CDM transactions. Beginning or continuing GHG mitigation activities becomes financially unattractive.
3. At the same time, climate financing institutions deploying the results-based financing approach recognize that such CDM projects are opportunities for prompt implementation of mitigation actions and for improving the effectiveness of the climate finance they disburse. Many institutions have published criteria (see appendix 1) for selecting and funding CDM projects. To assess whether CDM projects are eligible for climate finance against those selection criteria, these institutions would need project information which is not yet systematically and readily available.
4. To comply with the mandate of the CDM modalities and procedures, a CDM management plan (MAP) project was approved at the eighty-first meeting of the Board (EB 81), aiming to facilitate improved finance availability for CDM projects by providing relevant factual information on CDM projects to financing institutions. These institutions may consequently enable the implementation/continuation of such projects with appropriate financing sources, taking into account the interests and criteria for results-based climate financing established by these financing institutions
5. The Board at EB 82 considered the concept note on this MAP project and agreed that the work on this matter should not lead to any classification of projects and the proposed development of a statistical model should not be pursued. The outcomes of this project may include:
 - (a) Factual information, such as a list of the CDM registered project activities that have not requested issuance for at least for one year;
 - (b) Responses to a neutral survey sent to all project developers of registered CDM project activities processed in a neutral way without any assumptions, interpretation or classification.
6. Furthermore, the Board requested the secretariat to prepare a concept note on reaching out to financial institutions on their needs, with the design of the survey to be sent to project developers, including the questions and the format in which the outcome of the survey will be made available.

2. Purpose

7. Taking into account the guidance and mandate from the Board, this concept note aims:
- (a) To identify what factual information about CDM projects may be relevant for the selection criteria used by climate financing institutions interested in financing CDM projects;
 - (b) To propose options for collecting and providing the factual information (including the design of a neutral survey to CDM project developers), thereby reaching out to financial institutions on their needs of such factual information.

3. Key issues and proposed solutions

3.1. Review of information required by financial institutions

8. Following the consideration at EB 82, the secretariat contacted financial institutions and analysed their calls for projects that can benefit from their support. Presented in appendix 1 are the criteria applied by financial institutions to identify such projects, as well as the factual information relevant for each criteria type. The identification of relevant factual information also relied on experiences of direct interaction with these institutions. The criteria (and the relevant factual information) should be viewed as dynamic and the financial institutions may change the criteria or their interpretations in the future according to their policy priorities.
9. Some of the criteria financial institutions use to identify suitable projects depend on information which is not available to the secretariat and for which the secretariat is not in a position to provide information. Such criteria include, inter alia:
- (a) Environmental Health and Safety report from the designated operational entity (DOE);
 - (b) Adherence to World Bank's appropriate environmental and social safeguards;
 - (c) Synergies with other projects implemented by the donor country;
 - (d) Jurisdiction, legal status and partnership of the applicants.
10. Appendix 1 also indicates factual information which can be used by financial institutions to assess whether their financing criteria could be met by CDM projects. This information would be provided to stakeholders in an impartial manner, and financial institutions will be able to apply it for their financing criteria as they see fit. This factual information¹ can be divided into the following categories:
- (a) Information available to the secretariat, but not easily accessible;
 - (b) Information available from external sources, but requiring additional effort/cost;
 - (c) Information to be collected through questionnaires.

¹ Some of the information is available through the United Nations Environment Programme (UNEP) Technical University of Denmark (DTU) Partnership database.

3.1.1. Information available to the secretariat, but not easily accessible

11. Some information financial institutions could apply to identify suitable projects is managed by the secretariat but is either (i) not available to stakeholders, or (ii) available to stakeholders only through a project-specific interface. Retrieving this information by external stakeholders would be cumbersome and time-consuming, which would prevent them from processing this information efficiently and possibly prevent them from using it altogether.
12. Such information will be extracted into one database in a systematic and sustainable manner by linking already existing databases, subject to available resources and priorities. Information covered in this manner is:
 - (a) Host countries and region of each project;
 - (b) CDM regulatory status of projects and CERs;
 - (c) Type of crediting period selected;
 - (d) Status, monitoring period and CERs of all issuance requests;
 - (e) Use of standardized approaches for baseline, baseline scenario or additionality, including automatic additionality and standardized baselines;
 - (f) Use of “first of its kind”;
 - (g) CDM Loan Scheme application;
 - (h) Sustainable development indications as declared in the project description report of sustainable development co-benefits;
 - (i) Use of methodologies with a potential to directly improve the lives of women and children according to the CDM methodology booklet;
 - (j) Use of methodologies that address the issue of suppressed demand according to the CDM methodology booklet;
 - (k) Financial information of projects from project design documents (PDDs) or other sources;
 - (l) Any other information contained in PDDs.

3.1.2. Information available from external sources that could be linked to the secretariat’s database

13. Some of the information financial institutions apply to identify suitable projects is available from external databases:
 - (a) Information on whether a CDM project is registered (or listed) or issuing, under another domestic or international market registry or standard, may require cost from services which track them via a registry. Additional efforts are required to match these projects to CDM projects, as they usually do not record the CDM reference number. This could be complemented by information that will also be gathered through questionnaires to project proponents (PPs) in parallel and serve as a cross-check;

- (b) Type and subtype of technology as assigned by the United Nations Environment Programme (UNEP) Technical University of Denmark (DTU) Partnership.

3.1.3. Information to be collected through questionnaires

14. Some of the criteria that financial institutions apply to identify suitable projects cannot be evaluated using available project information without making assumptions and generalizing the conclusions for regions and project types. The information to evaluate such criteria is best provided by the PPs themselves:
 - (a) **Operating status** of a project. Most financial institutions are interested in financing CDM projects with a particular operational status, for example, projects not yet commissioned, operational projects, projects with financial or technical viability, or projects that ceased operation due to financial reasons. This selection criterion may be assessed indirectly through the CDM regulatory status of the project, for example a project with recent issuance can be presumed to be operational. However, such indirect information can be inconclusive (the project could have requested issuance and ceased operation subsequently) and insufficient (“non-issuing” project may or may not be operational);
 - (b) **Reasons for non-operation or non-monitoring.** Some financial institutions would like to understand the actual reasons for not commencing or discontinuing implementation, operation, or CDM monitoring. This information may also help the Board to identify any technical or regulatory barrier in the implementation and monitoring (or other steps of the CDM project cycle) of the projects that are registered or in the CDM pipeline. Such information is generally not available and would rely on statements from PPs;
 - (c) **Project finance** information. Some financial institutions require information regarding additional income sources from carbon financing schemes and actual financial viability of projects after their implementation. Such information as contained in PDDs may be outdated;
 - (d) **ERPA** (Emission Reduction Purchase Agreement) or buyer. Several financial institutions require knowledge of whether a project has a signed ERPA or otherwise a committed buyer for their CERs. Such up-to-date information is not available in any database and would rely on statements from PPs.
15. The proposed procedure for collecting this information is detailed in section 3.2 below.

3.2. Information-gathering exercise

16. A questionnaire would need to be developed to gather missing information from stakeholders. The information will be fed into a database to be developed to record in a systematic manner the information being gathered and/or already available.

3.2.1. Content of questionnaire

17. The proposed questionnaire, contained in appendix 2, is designed to provide the information detailed in section 3.1.3. The questionnaire is a statement from the project participants, and does not include any further information analysis. The proposed questionnaire aims to rely on objective and factual questions and to avoid questions that address intentions or expectations of the PPs.

3.2.2. Means of distributing questionnaire

18. The secretariat proposes the following step-wise approach for distributing questionnaires to PPs:
 - (a) All PPs would be contacted through a call for public input and using the most recent contact data in the Modalities of Communication (MoC) of the projects, allowing all PPs an equal opportunity to respond to the questionnaire, with least resource implication for the secretariat;
 - (b) The secretariat will follow up on the questionnaire with the PPs who have not responded to the call for public input, as well as with relevant designated national authorities (DNAs) and portfolio owners;
 - (c) If the project coverage of relevant regions or project types is still poor, the secretariat will approach focal points and project developers through workshops and events (Carbon Expo, Carbon Forums, DNA/DOE workshops, workshops organized by Nairobi Framework partners, etc.).
19. This follow-up after the call for public input is considered as necessary due to the following considerations:
 - (a) The contact person of PPs in MoCs and PDDs might not be directly involved in the implementation of the CDM project activity and may not have the information ready to respond to the questionnaire;
 - (b) The contact details of PPs in MoCs and PDDs are publicly available information and the survey may be overlooked due to the volume of e-mail received by such a contact person;
 - (c) Passive surveys have resulted in low response rates² and so a follow-up is more likely to yield responses from the PPs still actively involved in the CDM; the follow-up is essential for minimizing biased conclusions and improving response rates.

3.3. Making the necessary information available

20. A database will be developed to record in a systematic manner the information already available or information collected through the questionnaire and other information-gathering exercise, as described in section 3.1. Two options are proposed to make the information contained in such a database, which is currently not available or difficult to obtain, available to the secretariat and through the secretariat itself to stakeholders including financial institutions, without any analysis to maintain impartiality:
 - (a) **Creating an online interface managed by the secretariat:** Making the information readily accessible on the UNFCCC website. This would require developing a dedicated interface, which would allow stakeholders to retrieve all

² Previous experience with PP surveys shows that voluntary questionnaires are likely to have a very low response rate. A survey by the German Federal Ministry for the Environment, Nature Conservation, Building and Nuclear Safety (BMUB) of the CDM PPs in 2014 initially did not receive feedback from most projects, and then BMUB consultants had to contact PPs in several regions through local offices in local languages, in order to increase the response rate. The secretariat has had similar experience.

information in a convenient format, for multiple relevant projects and at a single location. Information that is currently available through the project search interface could also be available through this interface; or

- (b) **Providing information directly to financial institutions:** This option assumes that the database developed using the information gathered is not made available online to financial institutions. Upon request, project lists will be developed solely based on the institutions' selection criteria and projects' factual information and provided directly to financial institutions upon request.
- 21. Some information, such as contact details or any other information upon request by PPs, shall remain confidential and will not be published or shared outside the secretariat.
 - 22. Option (a) is the recommended interface for making information available, because such interface will strengthen the position of the CDM as a source of information for its own projects. Based on experience in which financial institutions requested further support on the ground, the selected option could be complemented by, for instance, facilitating missions/meetings of the financial institutions with the PPs they have shortlisted in the region.

4. Impacts

- 23. The information-gathering exercise from within the secretariat, from external sources and from CDM PPs, will make factual information about CDM projects, which is currently not available or difficult to obtain, available to the secretariat and through the secretariat itself to stakeholders including financial institutions.

5. Subsequent work and timelines

- 24. The following work is envisaged, dependent upon further guidance from the Board:
 - (a) Developing a database to enable the tracking and recording of the information that will be collected;
 - (b) Developing an information-gathering system, including automated connections with internal and external sources of information;
 - (c) Conducting the PP survey through the approach agreed by the Board;
 - (d) Presenting the information through the option agreed by the Board;
 - (e) After the initial information-gathering exercises, the Board may wish to consider a process for regular updates as part of the secretariat's routine activities.
- 25. The timeline of the work will depend on the urgency of requests for factual information from climate financing institutions interested in financing CDM projects.

6. Recommendations to the Board

- 26. The secretariat recommends that the Board provide guidance on what factual information about CDM projects may be collected and presented to financial institutions and how.

7. References

27. Example calls for proposals that are relevant for CDM projects that could depend on additional financing opportunities for their operation:
- (a) <http://www.carbonmarket-foundation.org/userfiles/zdk/Funding-Guidelines_Foundation.pdf>;
 - (b) <http://www.nefco.org/financing/nordic_climate_facility>;
 - (c) <<https://norcap-org.loopiasecure.com/cfpnorcap/proponentinformation.php>>;
 - (d) <<http://www.ci-dev.org/sites/cidev/files/documents/Criteria%20for%20Ci-Dev%20Project%20Selection.pdf>>;
 - (e) <<http://www.pilotauctionfacility.org/content/first-auction-criteria>>.

Appendix 1. Financial institutions criteria

1. The calls for proposals detailed in section 7 above were analysed to: (1) compile and categorize the criteria required to identify projects for financing; and (2) identify factual information that may be relevant for these criteria. This is summarized in table 1 below.

Table 1. Financing criteria and corresponding factual information

Type of criteria	Institutions					Relevant factual information
	CMF ¹	NCF ²	NorCaP ³	Ci-Dev ⁴	PAF ⁵	
CDM project	x		x	x	x	Project registration status; project registered/issuing in another mechanism (not eligible to issue under CDM)
Country, region, least developed country (LDC) status		x	x	x	x	Host country; continent; region; whether located in an LDC/small island developing country (SIDC)
Project activity or programme of activities (PoA) or applies standardized baseline				x		Whether the project is stand-alone or included as a component project activity (CPA) under a PoA; use of standardized approach for baseline, baseline scenario or additionality
Small-scale project, average emission reductions	x			x		Project scale; ex ante emission reductions; issued CERs

¹ Carbon Market Foundation, funded by the German government.

² Nordic Climate Facility.

³ NEFCO Norwegian Carbon Procurement Facility.

⁴ Carbon Initiative for Development.

⁵ Pilot Auction Facility of the World Bank.

Type of criteria	Institutions					Relevant factual information
	CMF ¹	NCF ²	NorCaP ³	Ci-Dev ⁴	PAF ⁵	
Registration date within given period	x			x		Date of registration of the project activity
Non-renewable crediting period				x		Type of crediting period selected
Monitoring period within given period, CER status					x	Status and monitoring period of issuance requests
Project is operational or ceased operation due to financing issues, project maturity/viability	x		x			Operation information from questionnaire; project status in CDM; date of last issuance (request); ERPA or contract signed for CDM output (e.g. renewable electricity), from questionnaire; project registered/issuing in another mechanism; project type statistics on last issuance; financial information from PDD/other sources; CDM Loan Scheme application
Methodology/GHG/technology			x	x	x	CDM methodology; GHG ; project type
Suppressed demand				x		Use of methodologies that address the issue of suppressed demand according to the CDM methodology booklet
Net present value (NPV) break-even	x			x		Financial information from PDD/other sources
Benefits for women/children	x					Use of methodologies with a potential to directly improve the lives of women and children according to the CDM methodology booklet
Project type success in the region				x		Projects of the same type in region
No ERPA signed			x		x	ERPA information from questionnaire
Sustainable development	x		x	x		Technology type; methodology; Gold Standard CERs; sustainable development indications as declared in the project description report of sustainable development co-benefits; information contained in PDDs
Innovative technology	x			x		First of its kind (FoiK); use of technology in positive lists

Type of criteria	Institutions					Relevant factual information
	CMF ¹	NCF ²	NorCaP ³	Ci-Dev ⁴	PAF ⁵	
Project is replicable in host country	x					PoA; PoA in host country; standardized approaches
Further development of carbon markets	x					Standardized approaches; PoA
Project aligned with host country priorities	x		x			Technology type (to check alignment with host country priorities); host country letter of approval

Appendix 2. Proposed questions for the survey of PPs

1. Please indicate what information below shall not be shared publicly or with climate financing institutions interested in financing CDM projects.
2. As part of its efforts to identify the operational status of CDM project activities or programmes of activities, the UNFCCC secretariat would like to invite you to answer the following questions:
 - (a) What is the reference number of the CDM project activity (or programme of activities and component project activity, respectively)?
 - (b) What is the technical/physical implementation status of the CDM project activity?
 - (i) Not implemented, and construction not started (e.g. at the stage of feasibility study, investment capital seeking);
 - (ii) Not implemented, but construction started;
 - (iii) Fully implemented but not operating;
 - (iv) Fully implemented, operating but without CDM monitoring;
 - (v) Fully implemented, operating with CDM monitoring;
 - (vi) Abandoned;
 - (vii) Dismantled;
 - (viii) End of life (crediting period expired);
 - (ix) Other, please explain;
 - (c) Is the underlying facility (i.e. where the GHG emission reduction is taking place) under operation (i.e. generating outputs such as goods or services)? For example, the landfill is the underlying facility of a CDM landfill gas flaring project; the cement facility is the underlying facility of a CDM feedstock switch project:
 - (i) Yes; (ii) No;
 - (d) Is the project activity registered (or listed), or requested to be listed, or issuing, under another market registry or standard?
 - (i) Yes, (and which scheme, what identification number and what status);
 - (ii) No;
 - (e) What barriers exist that hinder the implementation or operation of the CDM activity?
 - (i) None;
 - (ii) Technical barriers;

- (iii) Political situation (e.g. instability);
 - (iv) Administrative barriers (e.g. with local institutions, obtaining permits, etc.);
 - (v) Access to knowledge (access to skilled people, ability to work without a consultant, skill of the consultant, etc.);
 - (vi) Uncertainty concerning CDM procedures and requirements;
 - (vii) Costs related to CDM procedures and requirements;
 - (viii) Availability of third parties (DOE, DNA, UNFCCC, etc.);
 - (ix) Data availability (local and technology-specific data);
 - (x) Access to up-front finance;
 - (xi) Low CER prices (ex post finance);
 - (xii) Other barriers – please explain;
- (f) What are the reason(s) for the CDM project activity not to request (initial) issuance of CERs?
- (i) Not applicable. Issuance was requested;
 - (ii) No need for issuance, CDM registration was required for other reasons;
 - (iii) GHG mitigation activity is not yet operational;
 - (iv) First monitoring period still on-going;
 - (v) Technical issues with monitoring equipment/system;
 - (vi) Rejection of monitoring report or issuance request by the CDM Executive Board;
 - (vii) CDM monitoring, reporting and verification (MRV) procedures and requirements are too complicated;
 - (viii) MRV and issuance costs are too high;
 - (ix) Low CER prices;
 - (x) No buyer for CERs;
 - (xi) Project not mitigating or not monitoring;
 - (xii) Other reasons – please explain;
- (g) Does the CDM project activity have any other sources of revenue other than CERs?
- (i) Yes, development aid – please specify;
 - (ii) Yes, carbon financing – please specify;
 - (iii) Yes, income through regular operation – please specify;

(iv) No;

Please indicate whether this information may be shared outside the secretariat;

(h) What is your role with regard to the CDM?

(i) Project owner;

(ii) CDM project developer (e.g. project performance-based remuneration);

(iii) CDM consultant (e.g. fixed remuneration per service);

(iv) CER buyer;

(v) DOE (validation and/or verification service provider);

(vi) DNA;

(vii) Interested person;

(i) Has the project a buyer/ERPA signed?

(i) Yes; (ii) No; (iii) Under negotiation; (iv) Unknown;

(j) Contact details (not to be shared outside the secretariat).

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Document information

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