



# Can PoA effectively be implemented in Africa ?

African Carbon Forum 2010

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# Agenda

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- DNV's PoA Validations
- Validation issues
- Liabilities of DOEs in PoA
  - Our approach
- PoA Pipeline
- Way Forward



# Registered PoA validated by DNV

Title	Host country	Type	Sub-type	Methodology
Methane capture and combustion from Animal Waste Management System (AWMS) of the 3S Program farms of the Sadia Institute	Brazil	Methane avoidance	Manure	AMS-III.D.
CUIDEMOS Mexico (Campana De Uso Inteligente De Energia Mexico) – Smart Use of Energy Mexico	Mexico	EE households	Efficient light bulbs	AMS-II.C.

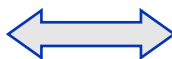
# PoA in validation process by DNV

Title	Host country	Type	Sub-type	Methodology
Installation of Solar Home Systems in Bangladesh	Bangladesh	Solar	Solar PV	AMS-I.A.
Energy Saving Renovation Programme at Instant Coffee Production Factories of Dongsuh Foods Corporation in Korea	South Korea	EE industry	Food	AMS-II.D.
Hunan Household Biogas Digester Programme	China	Methane avoidance	Domestic manure	ACM1
Thailand Small Scale Livestock Waste Management Program	Thailand	Methane avoidance	Manure	AMS-III.D.
Methane recovery and combustion with renewable energy generation from anaerobic animal manure management systems under Land Bank of the Philippines Carbon Finance Support Facility	Philippines	Methane avoidance	Manure	AMS-III.D.

## Validation Issues - Assessment of CPAs

- Latest revision of PoA procedures (EB 47) brought some clarity in that the additionality of a CPA has to be addressed as part of the inclusion criteria in the PoA-DD.
  - However, the inclusion criteria defined in a PoA can still be quite wide and may still require additionality assessment of individual CPAs.
- Extent of assessment of CPAs to be added to programme will depend largely on the criteria for including CPAs stated in the PoA-DD
  - Eligibility criteria for inclusion of a proposed CPA in the registered PoA
  - Criteria to be used for demonstration of additionality of a CPA
  - Extent of work to assess CPA only known when PoA is validated and registered

Conformity check



CPA specific assessments

- These criteria are observed to vary and are expected to vary quite significantly



# Validation Issues - Sampling in monitoring, validation and verification

- Many of the PoAs are expected to be projects involving many sites and sampling approaches are needed for
  - Determination of ex-ante parameters
  - Validation of baseline conditions at each site
  - Ex-post monitoring of parameters
  - Verification of reported emission reductions
- The sample size necessary to achieve a selected level of confidence will depend on the actual observed variations within the sample
- EB 47: “The Board will develop a guideline containing criteria for determining statistically sound verification techniques and methods.”

Guidance for sampling is needed



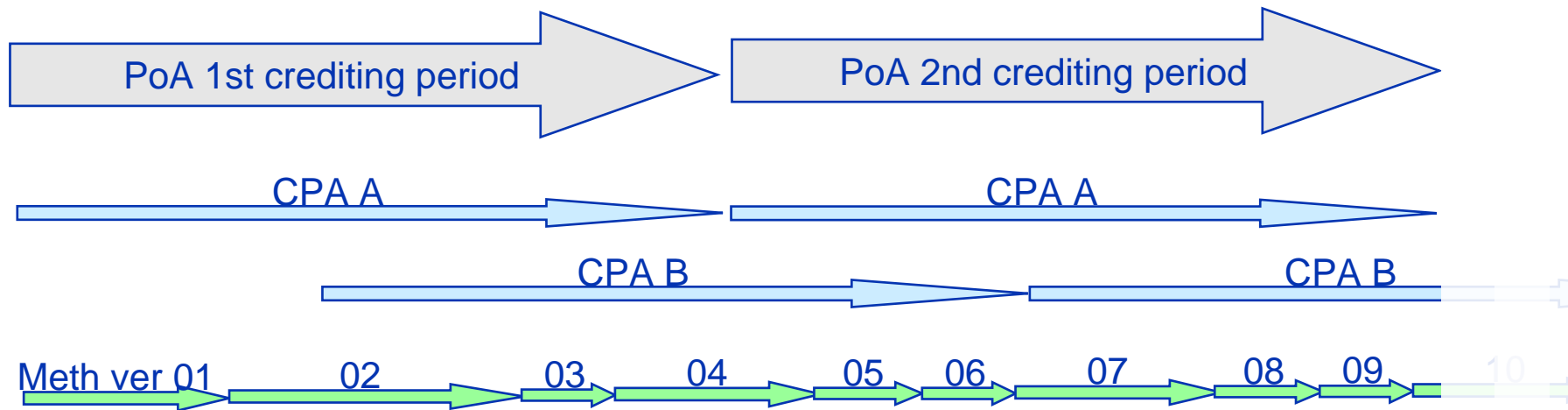
## Validation Issues - Start Date of CPAs

- EB 47's Revision of PoA procedures extended the definition of start date for CPAs, granting a grace period.
  - EB 36: "... *The starting date of the CPA cannot be before the date of registration of the PoA.*"
  - EB 47: "the start date of any CPA is not, or will not be, prior to the commencement of validation of the programme of activities, i.e. the date on which the CDM-POA-DD is first published for global stakeholder consultation"
  - PoAs which have commenced validation prior to 31 December 2009, are granted an exemption, and CPAs can have starting dates between 22 June 2007 and commencement of validation
- Crediting period to begin with CPA inclusion (as per regular CDM procedures)



# Validation Issues - Methodologies

- The PoA procedures address the situation when the approved methodology is put on hold or withdrawn, but previous to EB 47, procedures did not include an explicit description on how revisions of methodologies shall be treated.
- EB 47: The PoA has to be updated to the latest version of the applied methodology (or a consolidated methodology, if applicable) at the time of the renewal of the crediting period.
- EB 47: Allowance of multiple methodologies in PoA



# Liabilities of DOEs in PoA: Still an Unresolved Issue

- Liability of DOEs in PoAs is currently significantly higher compared to the liability in normal CDM project
- Many DOEs are reluctant to accept PoA validations
- Update on regulations required in order to make liability exposure manageable
  - the liability of a DOE having requested the inclusion of a CPA should be limited to only cases where **significant deficiencies** are identified in the validation of the CPA
    - EB47: "...a board member identifies any error that disqualifies a CPA from inclusion".
    - CDM: Only if DOE accreditation withdrawn and "significant deficiencies are identified"
  - a **time limit and extent** of the DOEs' liability for CERs issued
    - Current liability for validating DOE reaches all previously included CPAs and verified crediting periods

Extremely high liability for validating DOE  
hinders PoA development

# Liability of DOEs: Our approach

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- DNV has come up with its own approach to manage the liability exposure
- **Erroneous inclusion: “...disqualifies a CPA from inclusion”**
  - **Eligibility criteria will be strictly defined** for CPAs under a PoA and leave no room for ambiguity and erroneous inclusions.
    - This means that we will reserve the right to refrain from validating a PoA in case the definition of eligibility criteria proposed by the coordinating/managing entity is not to our satisfaction.
  - For the CPAs to be included, DNV will perform **site visits for all CPAs** and not only a sample thereof.
- **Time limit and Extent of Liability**
  - Undertake the validation of the PoA and limit the number CPA included to a **manageable amount of CERs**.
    - So far we have only contractually agreed to validate PoAs together with its first CPA.

Not the ideal solution but, with current regulations, it allows us to keep the door open to PoAs

# PoA Pipeline: Why are PoAs getting stuck in validation?

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## ■ Strong Capacity Building Stage

- “Learning by Doing”
    - PPs may be **learning** and fine-tuning their interpretation of PoAs
    - DOEs may be in the process of **developing or adjusting internal procedures** to work on PoAs
- Longer timelines

## ■ Changing regulations

- Some PoAs seeking to apply regulations which have now been updated could be stuck in validation
  - PoA Start Date
  - Sampling principles

## ■ DOE stricter scrutiny

- Validating DOEs likely imposing highly **rigorous assessments**, as one of the methods to manage their liability exposure

Learning by doing and defining times

# Way Forward

- Very exciting proposals out in the market
- Strong Capacity (and Structural) Development needed
  - Just as when CDM was starting
- Prompt update of PoA regulations required to match the needs of the market
  - Limiting and defining the reach of DOEs' liabilities
  - Simplifying additionality assessment

Capacity Building and  
Predictability Required



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