

# A/R CDM

JIFRO

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**Clean Energy Finance Committee**

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## Case Study: A/R CDM Project in Paraguay

### Case: A/R Project in Paraguay

Reforestation for croplands and grassland under poor soil conditions

- **Location:**

- *San Roque Gonzalez de Santa Cruz* and *Achay* districts, Paraguari Department, Paraguay

- **Project participants:**

- Japan International Research Center for Agricultural Sciences (JIRCAS)
- Servicio Forestal Nacional (Public entity of Paraguay)

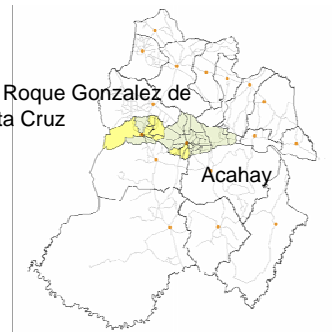
- **Project boundary:**

- 284 parcels of lands, all determined by using GPS
- 200 farmers participating

- **Plant species:**

- 2 eucalyptus species (*Eucalyptus grandis*, *Eucalyptus camaldulensis*)
- 1 silver oak specie (*Grevillea robusta*)

- **Planting Schedule:** 2007 and 2008



## Summary of the Project-2

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- **A/R type:** Small-scale, Reforestation
- **Methodology:** ARAMS0001-ver.04.1 (grassland and cropland)
- **Project status:** Under validation
- **Crediting period:** 20 years
- **Type of credits:** tCERs
- **Sustainable development**
  - Prevention of soil erosion
  - Gain advanced know-how of reforestation, forestry management and agro-forestry
  - Income from timber products



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## What we learned?

## Issues Raised

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### 1) Lack of forestry definition and low income communities

- Paraguayan government recently passed the forestry definition to be:
  - A minimum area of 0.5 ha
  - A minimum tree crown cover of 30%
  - A minimum tree height of 5 m
- Unclarity of an authorization source of low income communities definition

### 2) Land ownership

- Roughly half of the farmers are with title to their lands.
- The rest are either in process of obtaining titles or without titles

## Issues Raised-2

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### 3) Proof of land eligibility for afforestation and reforestation

- For afforestation, a project proponent is required to provide a sufficient proof that the land did not have woody vegetation above the national threshold for at least 4 single representative years within 50 years.
- The land should not have been forested since January 1st, 1990.

### 4) Lack of data for the calculation (particularly for baseline emissions and leakage)

- Difficult to collect available local data

### 5) Changes in the methodology and PDD template

- There has been significant changes between ARAMS0001 ver. 03 and ver. 04 that it required substantial adjustments

## Important Issues

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- A/R CDM projects require substantial amount of local, technical and historical data
- A/R CDM projects require special management practice on top of regular forestry management set by national governments
- Uncertainty with A/R CDM project implementation and longer monitoring period (every 5 years after the first monitoring)
- SSC A/R CDM projects are generally good for sustainable development, but a hurdle to register a project is too high for local project developers

## Challenges Ahead for A/R CDM Projects

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## Current A/R WG and EB Trends

- CDM Executive Board in general accepts all the suggestions from the A/R Working Group.
- However, A/R Working Group meetings are scheduled less frequently than other panel or working group meetings (→delay in conveying their decisions)
- Slow development of new SSC methodologies in the past (no new proposals from project participants as in the case of the SSC mitigation projects)
- Slow movement in methodology clarification due to lack of requests from DOEs/project participants compared to the mitigation projects

## Challenges Faced by A/R CDM Projects

- 1) Slow pace in rulebook/exemplary project development
  - Slow development of “learning-by-doing”
  - Lack of clear guidance
  - Misleading interpretation (e.g. low-income community)
  - No place to interact with A/R WG or EB (same problem with mitigation CDM projects)
  - Programmatic CDM
- 2) SSC vs normal-scale A/R projects
  - Level of certainty “interpreted” for SSC projects too high (mainly due to lack of clear guidance and misleading interpretation)
- 3) Project financing
  - High risk with low return v.s. identifying a suitable buyer and its timing
  - Project operation costs v.s. pre-/post-registration CDM costs (PDD development, validation, monitoring, verification)
  - VER option—price and time factor

# Future for A/R CDM Projects

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## 1) Financial barrier and ODA

- Need a substantial finance to conduct a feasibility study for data collection and examine the CDM potential
- Need the finance to cover the project implementation and CDM-related costs

## 2) Increased difficulty in identifying financial sources

- Competition with REDD projects
- Accountability of tCERs and ICERs in the post-2012 period

## 3) VER v.s. tCER/ICER

- Rulebook for VERs has been continually updated
- Sustainability, additionality, 3rd party verification, transparency are the same, but more practical approach adopted by VER rulebook than tCER/ICER's

Thank you for your attention!



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