Outline

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A Very Brief History

- Introduced at COP11/MOP1--2005
- Finally approved at EB32 in June 2007
- Guidance and procedures plus templates for PDDs issued in July 2007.
- **EB47** adopted procedures for approval of the application of multiple methodologies to a PoA.
- **EB63** adopted the following:
  - Standard for the development of eligibility criteria for the inclusion of project activity as a CPA under a PoA,
  - Standard for demonstration of additionality of GHG emission reductions achieved by a PoA,
  - Standard for application of multiple CDM methodologies for a PoA
Why Is It Important

- **Stand-alone CDM** has a number of constraints which include high transaction costs per activity.

- **pCDM** is appropriate where a large number of small units are geographically dispersed and occur over a period of time.

- A host party’s letter of approval for a PoA will cover all CPAs included.
pCDM in Practice, SA

- There are a number p-CDM opportunities in SA which can be exploited
- Eg EE: CFLs, industrial motor, SWH, electricity generation from landfill gas, RE IPP programme
- 14 POA proposal submitted (5 PDD and 9 PINS)
  - EE cooking technologies, EE Lighting, solar water heating, EE brick kilns.
- 3 Issued with letter of Approval
- 1 project registered
  - SASSA low pressure Solar water heater programme
Opportunities: SA Solar Water Heating

- Government target of 1 million SWH’s by 2014
- Assist SA in meeting its emission reduction and renewable energy targets
- Total emission reductions of 20 million tCO2e, equal to roughly 5% of South Africa’s annual emissions.
- Total foreign exchange inflows of R2 billion over 10 year period.
- Growth of SWH Industry through improved marketing, quality control
Opportunities: EE Accord (EEA) (pCDM)

- EE Accord between business leaders and Dept of Energy,
- Most of the largest energy users from industry and mining have signed the accord.
- Target of reduced energy consumption by 15% by 2015.
Opportunities: cont...

• Consumer awareness and education
• The programme allows for participation through:
  – Local & National Government
  – Insurance Companies
  – Banks
  – Property Developers
  – Employers
  – Home Owners
• Programme ensures quality through SABS
Challenges: implementation of PoA in SA

- Lack of pCDM experience in South Africa – There is a very limited knowledge base available in SA
- There is no local financing available for the development of pCDM
- Requirement for a technology partner
- The major challenge around monitoring and verification of the project.
- Low electricity cost vs clean/renewable energies
Problems with PCDM

- POA more complex than standard CDM project
- Complexity of the CDM market has been a disincentive to both public and private sector
- More stakeholders are involved which further complicate the process, thus number of contracts have to be entered into
- The reality is discouraging: many projects fail to complete the project cycle and/or are much delayed
- Lack of decision on the second commitment period (post 2012)
Things to consider

- Transaction costs are incurred up-front, while CDM revenue is only generated once the project’s methodology has been approved, the project registered and credits issued.
- Income from CERs is often difficult to predict
- CERs are traded spot markets so prices fluctuate
- Forward selling: price very low because the buyer takes the risk.
- Transaction cost too high
- Lack of decision on the second commitment period (post 2012)
What is Required for pCDM to be Successful

- Increased demand for renewable energy technologies to stimulate development of pCDM
- Government support
  - Consideration of pCDM in strategies and policies
  - Co-ordination of pCDM programmes
  - Letters of support for pCDM programmes
  - Feasibility studies to quantify pCDM potential
  - Consumer awareness building
- Private sector support
- Financial support
Thank You For Your Attention & General Discussion
Useful Links


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