



Department of Energy

**South African Designated National
Authority for Clean Development
Mechanism
Programme of Activities
30 November 2011, Durban**



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Outline

- A brief History
- Why Is It Important?
- Where Are We Now?
- pCDM Initiatives in SA
- Challenges: implementation of PoA in SA
- Problems with PCDM Challenges
- Things to consider
- What is Required for pCDM to be Successful



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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



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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



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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*



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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



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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.



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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



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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



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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)



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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)



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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



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Thank You For Your Attention & General Discussion



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Useful Links

www.energy.gov.za

www.info.gov.za/gazette/regulation/2005/27788a.pdf

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