

# Lessons Learned in PDD Development: Good Practice and Mistakes to Avoid

A synopsis of *CDM PDD Guidebook – Navigating the Pitfalls*

© UNEP Risø & DNV (2005)

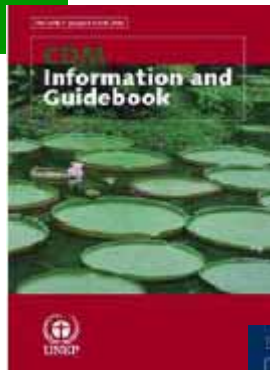
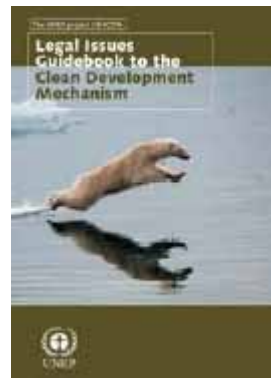
Glenn S. Hodes

UNEP Risø Center

## *CDM Navigating the Pitfalls PDD Guidebook*

- Latest addition to CD4CDM series
- Published by UNEP-Risø Center as a 'public good' to facilitate CDM and carbon market development,
- Highlights most common, important, and avoidable mistakes made by other project developers in CDM process
- Recommendations based on evaluation of ½ of all validated projects to date\*
- Read to save time and money by avoiding these mistakes of similar projects!

\* up to September 2005



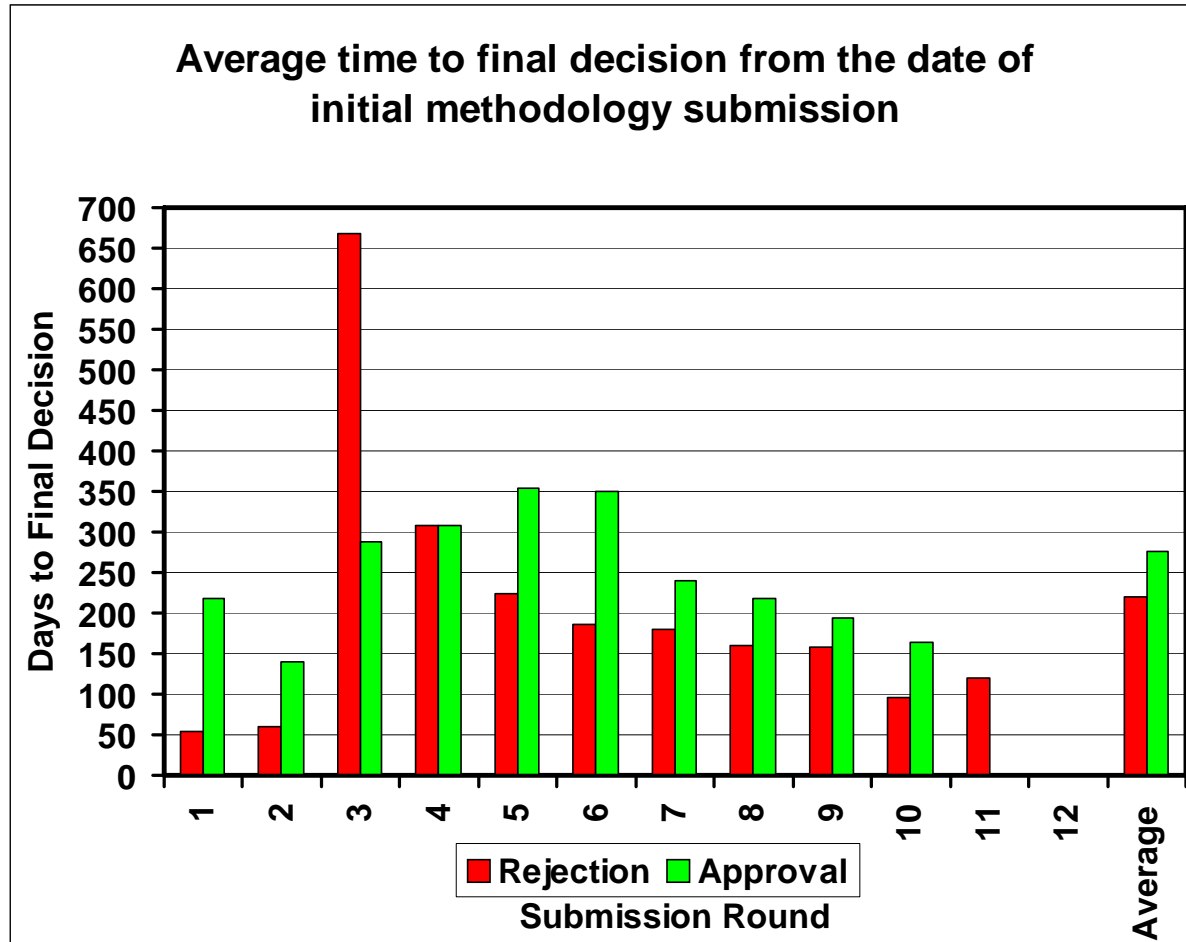
# Key pitfalls

	Delay more than 1 week	Delay more than 1 month
Frequency more than 20%	<ul style="list-style-type: none"> <li>• Lack of logic and consistency in PDD</li> <li>• Deviations from selected calculation methodology not justified sufficiently or incorrect formulas applied</li> <li>• Compliance with local legal requirements not covered sufficiently</li> <li>• Insufficient information on the stakeholder consultation process</li> </ul>	<ul style="list-style-type: none"> <li>• Evidence of EIA and/or required construction/operating permits/approvals not provided</li> <li>• Letter of Approval insufficient or delayed</li> </ul>

## Tips & Tricks #1

- *Don't* take a pass on using pre-approved methodologies and IPCC guidelines/GHG emission factors wherever possible or reasonable...
  - The methodology development process is improving, but is still risky and relatively time-consuming for a CDM developer





**Use a pre-approved methodology wherever possible to reduce delays and costs!**

## Tips & Tricks #2

- *Don't* build your house on a sand foundation...
  - Get the baseline right first, and double check calculations for possible errors
  - Make sure all potential baseline scenarios have been considered and foregone options justified
  - For many approved methodologies, there is only one relevant baseline scenario identified!
  - If sampling required for baseline or ongoing monitoring, demonstrate homogeneity within strata (e.g. economic characteristics of target group, technology size)



## Tips & Tricks #3

- *Don't* reinvent the wheel when developing or adapting an existing methodology to your project
  - Keep methodology as simple as possible.
  - Avoid trying to say it better than language that was already approved, or trying to say more than you need to...
- Be explicit, systematic, and ordered (i.e. take a “cook book” approach, not a story-telling one)



## Tips & Tricks #4

- *Don't* include irrelevant or overly detailed technical information in your PDD
  - This is subjective and differs by project type (see guidebook for examples and perspective of DOEs).
  - Don't include attachments in language other than English or detailed permits and licenses only of interest to DOE





## Tips & Tricks #5

- *Don't* create delays by being incomplete or slow in your responses.
  - Always address every aspect in template. If section is not applicable, say so, for reason “X”. No one likes forms. Don't give EB an easy reason to reject!
  - Make DOE and EB job easier by dating versions of PDD and/or new methodologies
  - Remember to list sectoral scope.



## Tips & Tricks #6

- *Don't* commit to an overly conservative baseline that negates much of ER benefit
  - Reality is that most projects' ER estimates are revised downward following reviews by CDM EB and meth panel. Leaving some headroom is prudent, provided you know volume risk.



## Tips & Tricks #7

- *Don't* make mistakes in investment analysis when demonstrating additionality.
  - Powerful way to demonstrate that proposed project isn't **common practice or most financially feasible alternative** w/out carbon finance.
  - Don't assume project is not additional just because NPV is positive, or IRR is high.
  - Don't consider carbon revenue in NPV or IRR analyses of baseline.
  - Don't consider interest payments in NPV
  - Don't forget to treat depreciation as cash flow



## Tips & Tricks #8

- *Don't* submit a PDD to a DOE without the required supplemental documentation
  - letter of approval (LOA) from DNA or letter of no objection if DNA requires draft validation report
  - letter from DNA in Malawi and/or Annex I Party confirming no diversion of ODA as a result of CDM project
  - evidence that operating permits and government approvals in hand to proceed to construction or operation
  - Signed statement indicating modalities of communication with EB (prior to registration)



## Tips & Tricks #9

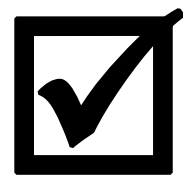
- *Don't be inconsistent*
  - Keep arguments and assumption same across all sections of PDD
  - Keep emission factors constant between baseline and project calculations
  - Crediting and starting periods should not contradict each other
  - Clarify when crediting starts if different project stages and leave at least 3 months from start of validation



## Tips & Tricks #10

- *Don't* overlook the obvious sources of help
  - Read the EB and public review comments of similar projects!
  - Seek peer reviews





**Thank you for your  
attention!**

