



Viewpoint: Inadequacies in monitoring methodologies

As the first CDM projects are coming forward for verification of occurred emission reductions, inadequacies in monitoring methodologies will start to come to light. Monitoring plans in registered PDDs seldom provide sufficient detail concerning how essential data will be collected and handled in order to determine project emissions and where relevant, baseline emissions. Issues that have not been addressed include, inter alia:

- Uncertainty in measurement and metering instruments
- Procedures for the correction or estimation of corrupted or missing data
- Treatment of small or "immaterial" errors

Uncertainty is a characteristic of a meter or measuring instrument. Uncertainty is a fact of life, but what levels of uncertainty are considered to be appropriate for CDM projects? Should electricity

generation be measured to within $\pm 2\%$ or $\pm 10\%$? In the absence of guidance the verifying DOE is left to decide what is appropriate. In fact, these details should be specified in a monitoring plan but they are absent in CDM monitoring plans and approved monitoring methodologies.

Data are frequently corrupted or lost for many reasons. Various conventions exist for correcting such data, such as replacing missing data with the lowest of the readings before or after the event, provided evidence is available to show that the activities were continuing. Or maybe, there should be no CERs issued for such periods?

Immaterial errors are "small" errors that are not considered to be likely to change the way the users of the information behave. If errors can be traced, they should be corrected, but if they cannot be traced, or there is no indication which of two alternative

measurements is "more" correct, then it is more difficult. Financial accounting practice and the guidance in the EU ETS is to treat cumulative errors up to 5% as immaterial, but beyond that, errors must be resolved and data restated to the satisfaction of the verifier. Currently, there is no such guidance for CDM – so when does an error become a "bad" error?

These and other issues will have to be resolved over the coming months. The trail blazing project developers that prepared the first projects for registration may well find themselves "helping" a second time!

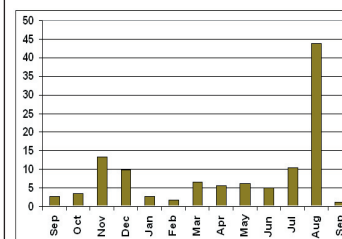
Gareth Phillips,
SGS Climate Change Programme

Recent credit purchases

Date	CDM/JI	Vol (tCO ₂ e)	Delivery
14.09.2005	CDM	675,000	2006-12
08.09.2005	CDM	500,000	2005-12
16.08.2005	CDM	800,000	2006-12
11.08.2005	CDM	690,000	2007-13
10.08.2005	CDM	39,200,000	2007-13

The information provided in the table is from emission reduction purchase agreements (ERPAs) – based on contacts with key traders, brokers and project developers – does not necessarily represent the complete market. Information has been anonymised in order to respect key players' confidentiality needs. Explanations of abbreviations and acronyms: see page 6 and Glossary on www.pointcarbon.com

JI and CDM investments
Monthly in 2004 and 2005 (MtCO₂e)



Conference 3-5 Oct, Kiev



CDM market comment

CER prices remain stable at €5-8 in deals where buyer takes performance and delivery risk, and at least €9-11 for forward CERs from registered projects or projects where the seller takes registration risk and guarantees delivery.

The by far most significant event the last two weeks was China's decision on levies on CER revenues from CDM projects in the country. This removes many uncertainties both for priority projects and for projects the Chinese have not given priority. The first HFC-23 and N2O projects may be approved soon. Such projects can yield more than 100 million CERs per annum in the 2008-12 period, and might even produce a few CERs in the 1st EU ETS phase provided host country approval goes smoothly. AgCert informed the market about supply delays. Even though the first Brazilian AgCert project now has been given host country approval, it is a risk that Brazil doesn't approve all AgCert's projects with early credits in time for them to be submitted for registration before the 31 December 2005 deadline – but that goes for all other Brazilian suppliers as well. HCFC-22 manufacturers continue their aggressive selling of HFC-23 CERs – chiefly to EU ETS companies but also European government agencies and Japanese companies.

On the demand side, Japanese companies with low internal CER price targets face difficulties competing for CERs with European companies that can hedge their position through EUA trading. Austria follows the UK lead in discussing a ban on non-CO2 projects for companies. While no country has actually approved legislation banning non-CO2 CERs this nevertheless gives a restrictive demand signal.

Jorund Buen, Point Carbon

News in brief

- The government of Serbia and Montenegro is expected to **ratify** the Kyoto Protocol within the next months. The energy sector hopes to **attract CDM projects**. The State Union Serbia and Montenegro has ratified the UNFCCC, but it still has not signed the Kyoto Protocol.
- The Japanese DNA has recently **approved** three CDM projects with Japanese investors involved, including the **Rhodia N2O project** in Korea, estimated to reduce emissions by 9.15 MtCO₂e annually in the Kyoto period.
- Canada's environment minister Stéphane Dion has met with several **Indian ministers** and high-ranking officials ahead of the UNFCCC meeting in Montreal in November. The two countries did not sign an **MoU on CDM**, but will continue to discuss the possibility

Recent CDM host country ratings

India, Chile, and Brazil are still the top three ranked host countries in Point Carbon's rating. China is still fourth despite the upgrade to BB, due to the country's improved willingness and ability to approve and establish CDM projects. Mexico, at fifth, is also upgraded to BB, mainly as a result of more projects coming into the pipeline. Another host country with a massive CDM potential, 11th placed South Africa, has taken major steps forward during the last couple of months and goes from CCC to B-. The newcomers in the rating, Argentina (B) and Egypt (CCC), are ranked at 10th and 14th place respectively.

Date	Country	Rating	Previous rating
13.09.2005	India	BBB	BBB
06.09.2005	Chile	BBB-	BBB-
08.09.2005	Brazil	BB+	BB+
13.09.2005	China	BB	BB-
13.09.2005	Mexico	BB	BB-

The rating of CDM host countries is based on Point Carbon's methodology, which includes assessment of 14 indicators to evaluate host countries' institutional conditions for JI, investment climate, as well as the country's project status and potential. The CDM host country ratings are conducted by Point Carbon and Vertis. More information about CDM country ratings available at www.pointcarbon.com. Explanations of abbreviations on page 6.

CDM and JI Project Pipeline

1996 proposed CDM and JI projects have so far been registered in Point Carbon's Project Database. Out of these, 545 projects, potentially yielding 707 MtCO₂e of emissions reductions towards 2012, have reached Project Design Document (PDD) level.

	Total			PDDs			Commented			EB/SC			Issued		
	T	14	C	T	14	C	T	14	C	T	14	C	T	14	C
MtCO ₂ e	N/A	*	*	707	698	+9	381	375	+6	63	57	+6	*	*	*
Number	1996	1973	+23	545	522	+23	278	254	+24	21	19	+2	*	*	*

T=Today; 14=14 days ago; C=Change. Total: Number of JI and CDM projects registered in Point Carbon's Project Database; Commented: project submitted for public comments on UNFCCC website as part of validation; EB/SC: projects registered by the CDM Executive Board or JI Supervisory Committee; Issued: CDM EB or JI SC has issued CERs/ERUs. All volumes are total volumes until 2012. For forecasted volumes, see [Carbon Market Monitor](#). See page 6 for explanation of abbreviations.

Key CDM info

- China passed a law in late August specifying a levy of 65 per cent on CER revenues from large-scale projects.
- Brazil this week launched its first marketplace for certified emissions reductions. Rio de Janeiro's stock exchange will act as a platform for Brazilian CDM projects and companies in more developed countries who need to offset their carbon emissions.
- AgCert, the CDM project developer, fired its CEO Al Tank and issued a profit warning
- First Carbon Fund Ltd (FCF) signed an agreement to purchase 675,000 tCO₂e of emissions reductions from a wind farm in China, while Shell Trading International and Indian fluorochemicals manufacturer SRF signed a large-scale CDM transaction.

	Total (max no)	New since last update
Host DNAs	70 ^b	a
Investor DNA	17 ^b	a
Meths – total	164	a
Meths – approved (A)	23 ^c	a
Meths under revision (B)	4	a
Meths not approved (C)	54 ^d	a
Meth panel yet to assess	33	a
DOEs accredited	10	a
AEs with indicative letter	20	a
NAI ratification	120 ^e	Mauritania, Iran

See page 6 for explanations of abbreviations. a = No new since last update. b = Notified to UNFCCC, or through other channels. c = In addition, 15 small-scale and 4 consolidated methodologies approved. d = Including 5 afforestation/reforestation methodologies. In addition, 2 methodologies withdrawn. e = As published on the UNFCCC website.

CDM projects completing stakeholder comment period last 14 days

Location/Project	Country	Type	Meth	Vol-2012 (tCO ₂ e)	DOE
Norte III Landfill	Argentina	LFG	AM0011	2,378,000	DNV
Klabin Piracicaba	Brazil	ENEF	AM0008	149,000	DNV
Alto Alegre	Brazil	RE(B)	AM0015	82,000	TÜV-S
Incomex	Brazil	RE(HR)	AMS-I.D.	291,000	DNV
Salto Natal	Brazil	RE(HR)	AMS-I.D.	345,000	DNV
Palestina	Brazil	RE(HR)	AMS-I.D.	283,000	DNV
Nova Sinceridade	Brazil	RE(HR)	AMS-I.D.	215,000	DNV
Coruripe/CBCP	Brazil	RE(B)	AM0015	39,000	DNV
Canabrava	Brazil	LFG	ACM0001	1,608,000	SGS
Maitenlahue & La Manga	Chile	WA(A)	AM0006	1,228,000	DNV
Ramirana	Chile	WA(A)	AM0006	410,000	DNV
Las Palmas & Santa Rosa	Chile	WA(A)	AM0006	461,000	DNV
Jilin Taonan	China	RE(W)	AM0005	678,000	DNV
Changling	China	RE(W)	AMS-I.D.	133,000	DNV
Guangdong Nan'ao Huaneng	China	RE(W)	AM0005	424,000	TÜV-R
Jilin Taobei Huaneng	China	RE(W)	ACM0002 ver. 2	561,000	TÜV-R
Jilin Tongyu Huaneng	China	RE(W)	ACM0002 ver. 2	1,530,000	TÜV-R
La Grecia	Honduras	RE(B)	AM0015	192,000	DNV
Bhadrachalam	India	ENEF	AMS-II.C.	79,000	DNV
SPSL/8.5 MW	India	RE(B)	AMS-I.A.	560,000	SGS
Satyamaharshi	India	RE(B)	AMS-I.D.	151,000	DNV
KMS Power 6MW	India	RE(B)	AMS-I.D.	90,000	DNV
ITC Optimization of steam	India	ENEF	AM0018	382,000	DNV
Perpetual	India	RE(B)	AMS-I.D.	112,000	DNV
Indur 7.5 MW	India	RE(B)	AMS-I.D.	216,000	DNV
AWMS- MX05-S-11	Mexico	WA(A)	AMS-I.D. AMS-III.D.	150,000	TÜV-S
Huaycoloro	Peru	LFG	AMS-I.D. ACM0001	1,988,000	SGS
Rosslyn Brewery	South Africa	ENEF	AM0008	674,000	DNV
Lawley	South Africa	ENEF	AM0008	255,000	DNV

See page 6 for explanations of abbreviations.

Recent JI developments

- A new non-commercial partnership, “National Methane Centre”, aims to address Russian methane emissions from pipeline leaks. For one region alone, it was estimated CO2 equivalent reductions can be as high as 1,500 Mt per year. Rosgasification, the end-user natural gas distributor in Russia and a lead participant of the partnership, has 318 local subsidiaries in Russia.
- The New Zealand government has awarded over 1.4 million internationally tradable emission units – deliverable as ERUs or AAUs - to two separate power projects. 1.2 MtCO2e were awarded to Mighty River Power’s 70 MW Kawerau geothermal electricity scheme and 202,743 tCO2e to Green Energy Limited’s Rotorua landfill gas project.
- Slovakia is to become the first country to put restrictions on JI projects following the release of the EC’s draft guidance on double counting under the Linking Directive. Under the proposal for transposition of the Linking Directive, Slovakia plans to ban any projects implemented at, or directly or indirectly limiting emissions of EU ETS installations, citing political difficulties in cutting the allocation of utilities. Some JI projects in Slovakia have already been affected. EU ETS participants in Slovakia will not be allowed to use ERUs and CERs for compliance.
- Ukrainian president has signed a decree appointing the Ministry of Environmental Protection as coordinator of activities on UNFCCC and the Kyoto Protocol. Once a more detailed description of relevant responsibilities is released by the Cabinet of Ministers of Ukraine, the Decree will override a previous order of the Prime Minister. This order banned issuance of approval and endorsement letters by Ukrainian authorities pending formal appointment of proper coordinating authority.

No JI projects completing stakeholder comment period last 14 days

Location / project	Country	Type	Vol -2012 (tCO2e)	DOE

Full list to become available at www.pointcarbon.com.

CDM projects registered by the CDM Executive Board

Location/Project	Country	Type	Meth	Vol-2012(tCO ₂ e)	DOE
Matuail landfill	Bangladesh	LFG(E)	ACM0001 ACM0002	566,000	SGS
Villa Dominico	Argentina	LFG(E)	AM0011	5,300,000	SGS
Corneche and Los Guindos	Chile	WA(A)	AM0006	952,000	DNV
Pocillas and La Estrella	Chile	WA(A)	AM0006	2,531,000	DNV
Peralillo	Chile	WA(A)	AM0006	642,000	DNV
Kuyasa	South Africa	ENEF	AMS-I-C AMS-II-C AMS-II-E	49,000	DNV
La Esperanza	Honduras	RE(HR)	AMS-I-D	351,000	DNV
Salvador de Bahia	Brazil	LFG(E)	AM0002	6,667,000	DNV
CPCL (Clarion)	India	RE(B)	AMS-I-D	184,000	TÜV-R
5 MW Dehar	India	RE(HR)	AMS-I-D	114,000	DNV
Graneros	Chile	ENEF	AM0008	134,000	DNV
Huitengxile	China	RE(W)	AM0005	422,000	TÜV-S
Santa Cruz	Bolivia	LFG	AM0003	727,000	DNV
Cortecito & San Carlos	Honduras	RE(HR)	AMS-I-D	224,000	DNV
Rajasthan mustard crop	India	RE(B)	AMS-I-D	295,000	TÜV-S
e7 Micro Hydro Power	Bhutan	RE(HR)	AMS-I-A	3,000	JACO
Cuyamapa	Honduras	RE(HR)	AMS-I-D	249,000	DNV
Ulsan	S-Korea	HFC23	AM0001	14,000,000	JQA
Gujarat	India	HFC23	AM0001	27,134,000	SGS
Rio Blanco	Honduras	RE(HR)	AMS-I-D	149,000	DNV
NovaGerar	Brazil	LFG	AM0003	2,937,000	DNV

See page 6 for explanations of abbreviations.

World Bank to step up efforts on reducing flaring emissions

The World Bank's Global Gas Flaring Reduction Partnership (GGFR) is to step up its efforts to encourage more oil and gas majors to sequester greenhouse gas emissions from flaring, which in some producing countries is a major cause of carbon dioxide pollution. The World Bank is to hold workshops in Algeria and Angola in October and has tried to help companies get projects started in Indonesia, where the World Bank held a workshop early this month and will hold another one in November. Progress in cutting back emissions from the flaring of oil and gas have proceeded slower than expected over the last few years as proving additionality of such projects often are problematic approval. One

important reason for this is that soaring prices for gas means that it may be economically beneficial for oil and gas producers to sequester gas and transport by pipeline or in liquefied form rather than flaring it. In addition, sequestration of gas from oil production is very complicated feature of engineering and is hugely expensive, although in some countries, such as Nigeria, the flaring of gas from oil refineries will be outlawed from 2008. In Algeria, the World Bank is developing a CDM strategy for the state-owned oil and gas producer Sonatrach, including a greenhouse gas inventory, while next month's workshop will discuss a how the data tool may become a pilot scheme for other countries.

In Angola, the GGFR is seeking to discuss how it will develop a Project Idea Note and a Framework Project Design Document for an LNG project that will convert sequestered gas into a product that can be shipped to markets around the globe. In Nigeria, which is responsible for a fifth of flaring emissions worldwide, the World Bank has started work on demonstration projects, including one ran by Shell, the largest foreign investor. In Russia, another major source of flaring emissions, the GGFR is also involved in talks with the Ministry of Industry and Energy for it to become a federal Partner in GGFR.

AAU	Assigned Amount Unit	HFC-23	Potent greenhouse gas; byproduct from production of cooling medium HCFC-22	SC	Joint Implementation Supervisory Committee
ACM	Approved Consolidated Methodology			tCO_{2e}	Metric tonne of carbon dioxide equivalent emissions
AE	Applicant Entity (third party)	HON	Honduras	TÜV-R	TÜV Rheinland
AFS	Avoided Fuel Switch	IP	Industrial processes	TÜV-S	TÜV SÜD Group
Annex B	The 39 emissions-capped countries listed in Annex B of the Kyoto Protocol	JACO	Japan Audit and Certification Organisation for Environment and Quality	UNFCCC	United Nations Framework Convention on Climate Change
AM	Approved Methodology	JI	Joint Implementation	Wa	Waste
AMS	Approved Methodology Small-scale	JQA	Japan Quality Assurance Organisation	Wa(A)	Animal waste
B(CG)	Bagasse co-generation			WAI	Waste avoidance and incineration
CDM	Clean Development Mechanism	LFG(E)	Landfill gas to electricity		
CDM EB	CDM Executive Board	LULUCF	Land use, land use change and forestry		
Cem	Cement	MtCO_{2e}	Million tonnes of carbon dioxide equivalents		
CER	Certified Emission Reduction (CDM trading unit)	N/A	Not applicable		
		NAI	Non-Annex I		
COP 10	Tenth Conference of Parties to the UNFCCC	N₂O	Nitrous oxide		
DH	District heating	PDD	Project Design Document		
DNA	Designated National Authority	PFC	Perfluorocarbon		
DNV	Det Norske Veritas Certification	RE(B)	Renewable energy (biomass)		
DOE	Designated Operational Entity (third party)	RE(G)	Renewable energy (geothermal)		
ENEF	Energy efficiency	RE(HR)	Renewable energy project (hydropower - run-of-river)		
EB	CDM Executive Board	RE(Wi)	Renewable energy (windpower)		
ERPA	Emission Reduction Purchase Agreement	SBSTA	UNFCCC's Subsidiary Body for Scientific and Technical Advice		
ERU	Emission Reduction Unit (JI trading unit)				
EU ETS	European Union Emissions Trading Scheme	SGS	Société Générale de Surveillance		
GFR	Gas flaring reduction				
GHG	Greenhouse gas				
H	Hydropower				

See also "Glossary" at www.pointcarbon.com

Editorial enquiries

Marte Nordseth
mn@pointcarbon.com
Tel +47 90 77 16 68
Fax +47 92 57 08 18

Sales enquiries

Henrik Sørensen
hs@pointcarbon.com
Tel +47 924 07 898
Fax +47 925 70 818

Other enquiries

Point Carbon, Norway
(Head Office)
Klingenberggaten 4
N-0161 Oslo
Norway
Tel +47 924 29 400
Fax +47 2242 2225
contact@pointcarbon.com

Website

www.pointcarbon.com

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Offices/Representatives**UK**

Point Carbon, UK
Bracton House
34-36 High Holborn
London, WC1V 6AE, UK
Tel +44 (0) 20 7190 1640/1
Fax +44 (0) 20 7190 1642
aa@pointcarbon.com
aal@pointcarbon.com

Ukraine

Point Carbon, Ukraine
Ms. Olga Gassan-zade
P.O. Box 116
Kiev Ukraine 01004
Tel +380 44 279 87 67
Fax +380 50 278 83 40
ogz@pointcarbon.com

Japan

JPower
Ms. Sumie Nakayama
Tel +81 3 3546 9375
Sumie_Nakayama@jpower.co.jp

Mizuho Information and Research
Institute, Inc.
2-3 Kandanshiki-cho
Chiyoda-ku Tokyo
101-8443 Japan
Tel +81 3 5281 5410
Fax +81 3 5281 5466
yasushi.setoguchi@
gene.mizuho-ir.co.jp (Office)
setoro@attglobal.net (Res.)

Poland

Point Carbon, Polska
ul. Topiel 21/9
00-342 Warszawa
Polska
Tel: +48 77 44 11 596
Fax: +48 77 44 26 695
contact@pointcarbon.pl

Portugal

E.Value
Tel + 351 21 870 5387
evaluate@value.pt

Hungary and Czech Republic

Vertis Environmental Finance
Mr. James Atkins
Tel +36 1 488 8410
james.atkins@vertisfinance.com

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