

# Climate Change Risk Management Program

## CDM Component Inception Workshop

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# Presentation outline

## 1. CDM Status in Egypt

## 2. Barriers To Expansion Of CDM Market In Egypt

## 3. CDM Component

- Introduction
- Goal & Objectives
- Barriers & Actions
- Activities and Indicators – Outcome

# *1. CDM STATUS IN EGYPT*

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- I. National strategies,**
- II. Institutional framework,**
- III. CDM project portfolio, and**
- IV. Past CDM related interventions.**

# 1. CDM STATUS IN EGYPT

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## I. National strategies.

**Egypt's current climate change mitigation policies, plans, and measures that are relevant to CDM.**

- 1. The National Environmental Action Plan (2002 □ 2017).**
- 2. Egypt's Climate Change National Action Plan (ECCNAP).**
- 3. Egypt's National Strategy Study Program on CDM.**
- 4. Egypt's National Energy Efficiency Strategy (NEES)**

# *1. CDM STATUS IN EGYPT*

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## **II. Institutional framework.**

**The various committees and institutions involved in the CDM policy/regulatory activities.**

- 1. National Committee on Climate Change**
- 2. Climate Change Unit EEAA/MSEA**
- 3. Egypt CDM Designated National Authority (DNA)**

# 1. CDM STATUS IN EGYPT

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## III. CDM project portfolio.

- The Egyptian DNA has issued Letters of No Objection for 32 CDM projects. However, only 12 projects have reached either validation or registration phase.
- Out of 12 projects , 4 projects are in registration phase.
- 2 projects have generated CERs so far.
- Other projects in the portfolio are facing various barriers to proceed in the CDM cycle.

# *1. CDM STATUS IN EGYPT*

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## **IV. Past CDM related interventions.**

**The past capacity building interventions in the CDM market in addition to those related to either identification of Green House Gases reduction technologies or policies/measures that relate to Green House Gases emission reduction.**

- 1. Capacity Development for CDM (CD4CDM).**
- 2. Technology Cooperation Agreement Pilot Project (TCAPP).**
- 3. Support for National Action Plan (SNAP).**
- 4. Energy Efficiency Improvement and Emission Reduction Project**
- 5. Egyptian German Joint Committee on Renewable Energy, Energy Efficiency, and Environmental Protection (JCEE).**

## 2. Barriers To Expansion Of CDM Market In Egypt

**The barriers that hinders the expansion of the CDM market in Egypt are:**

### **1. Insufficient Awareness & Lack of Trust in The System**

- Many have the potential to implement CDM projects, but they are not aware of the mechanism.
- Have allocated budgets for energy efficiency, but they are not aware that an additional source of revenue can be generated from the CDM.
- Lack of trust in the CDM (suspects the real intentions, the system not very transparent for them, designed to exploit the Egyptian resources and therefore prefer not to, resist new ideas.

### **2. INSTITUTIONAL AND LEGISLATIVE BARRIERS**

- Power Purchase Agreements (PPAs), currently no legislation that allows independent power producers to sell their electricity to the grid.
- Subsidies on fossil fuels in Egypt is barrier which hinders renewable energy and energy efficiency CDM projects.
- Egyptian laws are not well adapted to CDM projects (tenders rules).

## *2. Barriers To Expansion Of CDM Market In Egypt*

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### **3. Lack of Sufficient Resources for DNA Operation**

Since the revenue from CERs goes directly to the EPF, it is not possible to utilize such funds in awareness and promotion activities or to hire high caliber staff. As a result, the Egyptian DNA is only playing the role of approving CDM projects.

### **4. Lack of Adequate Institutional/Technical Capacity for Identification & Development of CDM Projects**

- Few project developers (consultants) in Egypt.
- many companies do not even have the capacity to evaluate CDM projects proposals leading to delays in decision making.

### **5. Lack of Underlying Finance for CDM Projects**

- financial institutions are reluctant to place their funds in a business they do not fully understand.

## *2. Barriers To Expansion Of CDM Market In Egypt*

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### **6. Unexploited CDM Potential in Several Sectors**

Many of the sectors with huge CDM potential have not been exploited since the opportunities are fragmented in many facilities. (Energy efficient lighting, Fuel switching from heavy fuel oil (mazout) to natural gas, Landfill gas projects, Cogeneration.)

### **7. High Transaction Cost & Lengthiness Of The Cdm Cycle**

- A CDM project cycle cost ranges from US\$ 100,000 to US\$ 150,000 including consulting, validation and registration fees,
- According to estimates provided by CDM project developers, the validation process takes about 6-8 months while the registration process takes about 4-5 months. If the time required for PDD preparation, stakeholders meeting and DNA approval is added, the project cycle length can reach up to 2 years.

# INTRODUCTION



**MSEA / EEAA**

**Total Budget : 1,200,420**  
**Duration: 36 months**

**UNDP**



**UNEP**



**UNIDO**



# GOAL AND OBJECTIVES

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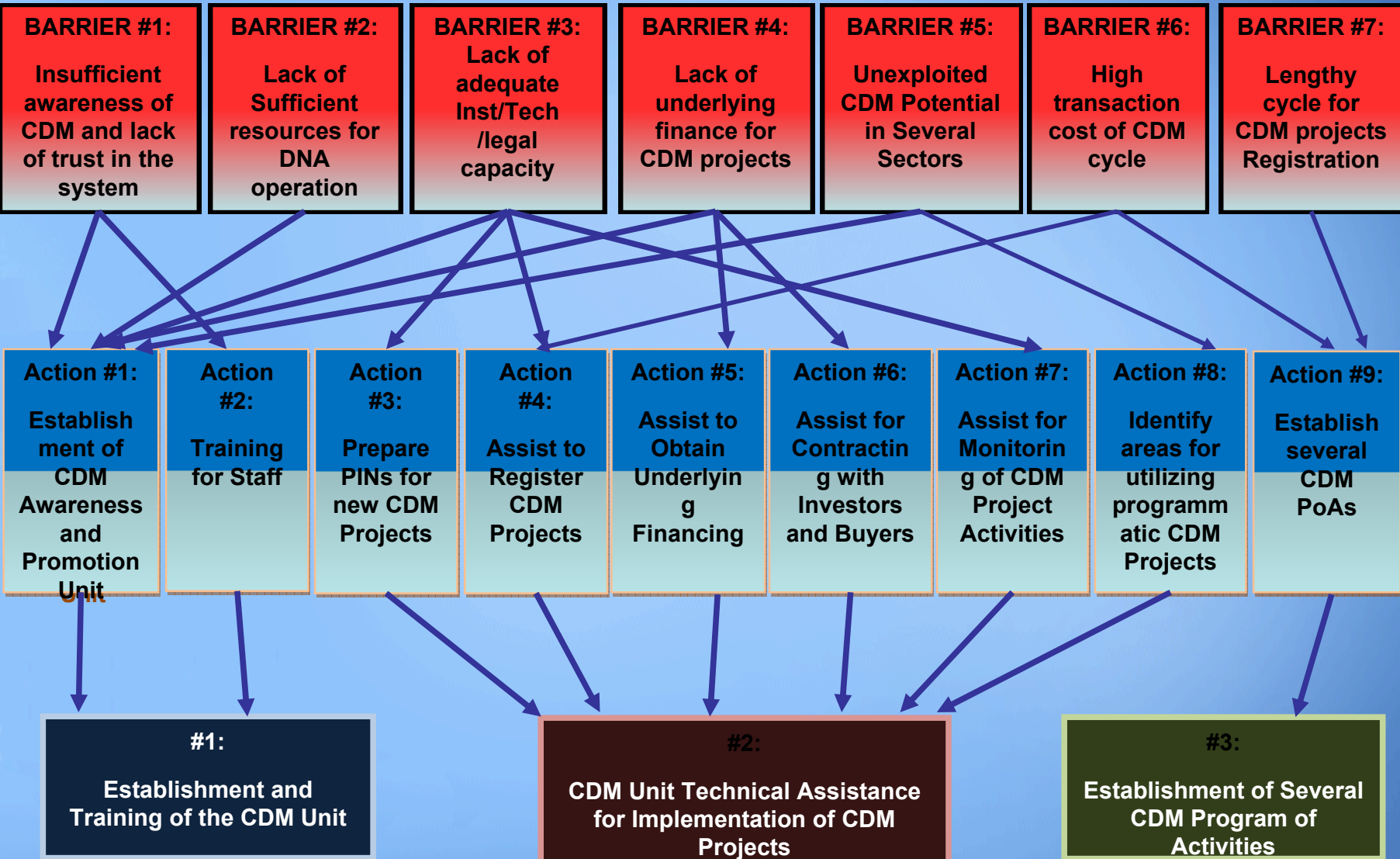
updating  
and  
promoting  
the existing  
CDM  
portfolio

Promote  
new  
CDM  
Projects  
in the  
portfolio

Capacity  
building  
activities

**Expansion  
of the CDM  
markets in  
Egypt**

# BARRIERS & ACTIONS



# 1. Establishment of CDM APU

## Establishment of CDM APU

### Set Up of Unit

- Staff
- Equipment
- Operating Costs

### Training of Staff

- ER Calculations
- Methodologies
- Additionality
- Evaluation of CDM projects
- PIN preparation

## 2. CDM APU – Tech Assist – PoAs Identification

### CDM Unit Technical Assistance for Identification of Several PoAs

Identification of major sectors with high potential for CDM

Preparation of a detailed feasibility study for 4 to 5 of the identified opportunities

Selection of 3 feasible PoAs

Establishment of 3 PoAs



## 2. CDM APU – Tech Assist – Individual CDM Projects

### CDM Unit Technical Assistance for Implementation of Individual CDM Projects

Training representatives from  
250 facilities with potential  
CDM projects

Awareness of 120 decision  
maker to accelerate the  
implementation of CDM  
projects

Preparation of 20-30 new PINs  
identified from sectoral training  
Workshops

Supporting 20-30 new projects  
to reach Registration

Supporting 10-20  
projects facing  
difficulty in the  
current CDM portfolio  
to reach Registration

Obtaining underlying financing  
for 30-50 CDM projects

Monitoring Training for  
representatives from 50  
facilities with registered CDM  
projects

Training representatives  
from 120 facilities for  
contracting with potential  
investors and buyers of  
CERs

### 3. Establishment of 3 PoAs

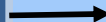
#### Establishment of 3 PoAs



# Activities and Indicators – Outcome #1

## #1: Establishment and Training of the CDM Unit

1.1  
Establishment  
of CDM  
Awareness  
and Promotion  
Unit



Establishment  
of the Unit and  
Institutional  
Structure  
Setting

1.2  
Training for  
Staff

Train 10 Staff  
Members (CDM  
APU/CDM  
DNA)

# Activities and Indicators – Outcome #2

**#2:  
CDM Unit Technical Assistance for  
Implementation of CDM Projects**

## Assistance for Individual CDM Projects

**2.2  
Preparation  
of PINs for  
new CDM  
Projects**

**Training  
representative  
s from 250  
facilities**

**Preparation of  
25 new PINs**

**2.3  
Assistance to  
Register  
CDM  
Projects**

**Awareness of  
120 decision  
makers**

**Supporting  
20-30 new  
CDM proj  
ects**

**Supporting  
10-20 current  
proj  
ects**

**2.4  
Assistance to  
Obtain  
Underlying  
Financing**

**Obtaining  
underlying  
financing for  
30 to 50 CDM  
projects**

**2.5  
Assistance  
for  
Contracting  
with  
Investors and  
Financial  
Institutions**

**Training  
representative  
s from 120  
facilities with  
potential for  
CDM projects**

**2.6  
Assistance  
for  
Monitoring of  
CDM Project  
Activities**

**Training for  
representative  
s from 50  
facilities with  
registered  
CDM projects**

## Assistance for pre-PoAs Establishment

**2.1  
Identify  
expansion  
areas for  
utilizing  
programmati  
c CDM  
Projects**

**Identify  
major  
sectors and  
selection of 3  
sectors for  
establishmen  
t of PoAs**

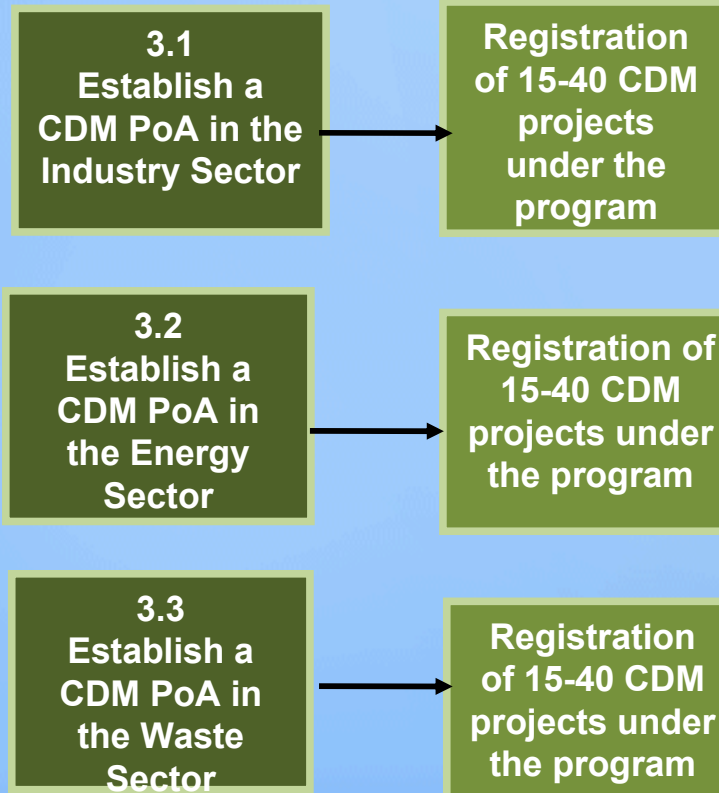
**Industry**

**Energy**

**Waste**

# Activities and Indicators – Outcome # 3

## #3: Establishment of Several CDM Program of Activities



# CDM Program of Activities

Stage 1: No. of projects registered under the program

Project #1

Project #2

Project #3

Project #4

Project #5

Stage 2: After a period of time another No. of projects registered under the same program

Project #6

Project #7

Project #8

Project #9

Project #10

Stage 3: After another period of time another No. of projects registered under the same program

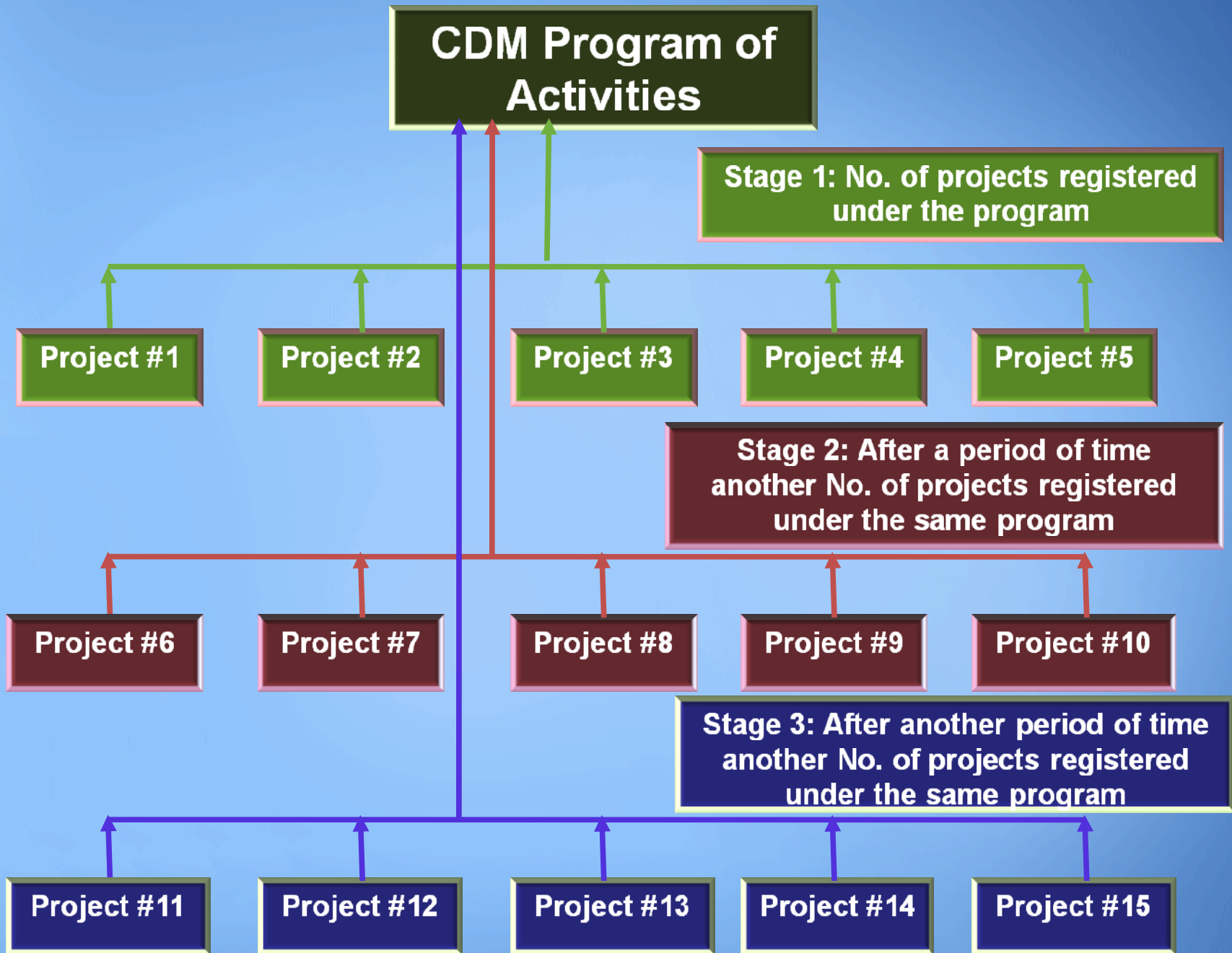
Project #11

Project #12

Project #13

Project #14

Project #15



# The advantages of PoAs

1. A PoA constitutes of individual CDM project activities (CPAs), with no limits on CPAs or on the area to be covered.
2. A CPA can be added to PoA at any time during the duration of PoA.
3. Promoting such programs will help reduce and can lead to the aggregation of small emission reductions that would not be feasible on a project by project basis.
4. These programs will also definitely help remove the barriers of the cost and lengthiness of the CDM cycle.

# The advantages of PoAs

The cost of adding CPAs into the program (20 projects)	Total cost of the CDM PoAs registration	Project Cost as individual CDM project	
2200\$	43000\$	15000\$	PDD
2500\$	50000\$	29000\$	Verification
1500\$	30500\$	5500\$	Registration
<b>6200\$</b>	<b>123500\$</b>	<b>49500\$</b>	<b>Total cost</b>

**Cost till registration**

The cost of adding CPAs into the program (20 projects)	Total cost of the CDM PoAs registration	Project Cost as individual CDM project	
1500\$	29500\$	20000\$	<b>Annual Verification</b>
150\$	3000\$	—	adding CPAs into the program
<b>1650\$</b>	<b>32500</b>	<b>20000\$</b>	<b>Total cost</b>

**Annual Cost**

Thank You