



Projects to Reduce Emissions

Presentation to NZEF Conference

Bruce McLean

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What are Projects to Reduce Emissions?

- Framework established in Kyoto Protocol
- Participants rewarded with Emission Units
- Emission Units expected to be tradable
- Voluntary and take place in New Zealand
- Have direct benefit for environment
- Encourage innovative initiatives that reduce emissions



International examples

Windfarms

China, Jamaica, India, Poland

Biomass

Hungary, India, Czech Republic

Hydroelectric

Panama, Costa Rica

Geothermal

Indonesia

Landfill gas

Brazil, Costa Rica

Coal mine gas

Queensland, New South Wales

Boiler conversion

Northern Territories



Potential projects in NZ

Energy supply

Renewable energy (wind, hydro, solar, geothermal)
Non-renewable (fuel switching, biomass)

Energy demand

Heat recovery, insulation, efficiency, control systems

Waste

Landfill gas, sewage methane collection

Coal methane

Flaring or electricity generation

Transport

Fuel efficiency, fuel switching



What's on offer?

- Emission Units or 'carbon credits'
- One Emission Unit = abatement of one tonne of CO₂-equivalent
- Gases are CO₂, CH₄, N₂O, PFCs, HFCs and SF₆
- Market developing for units eg Dutch ERUPT program
- Four million Emission Units on offer
- Kyoto coming into force



Kyoto Protocol context

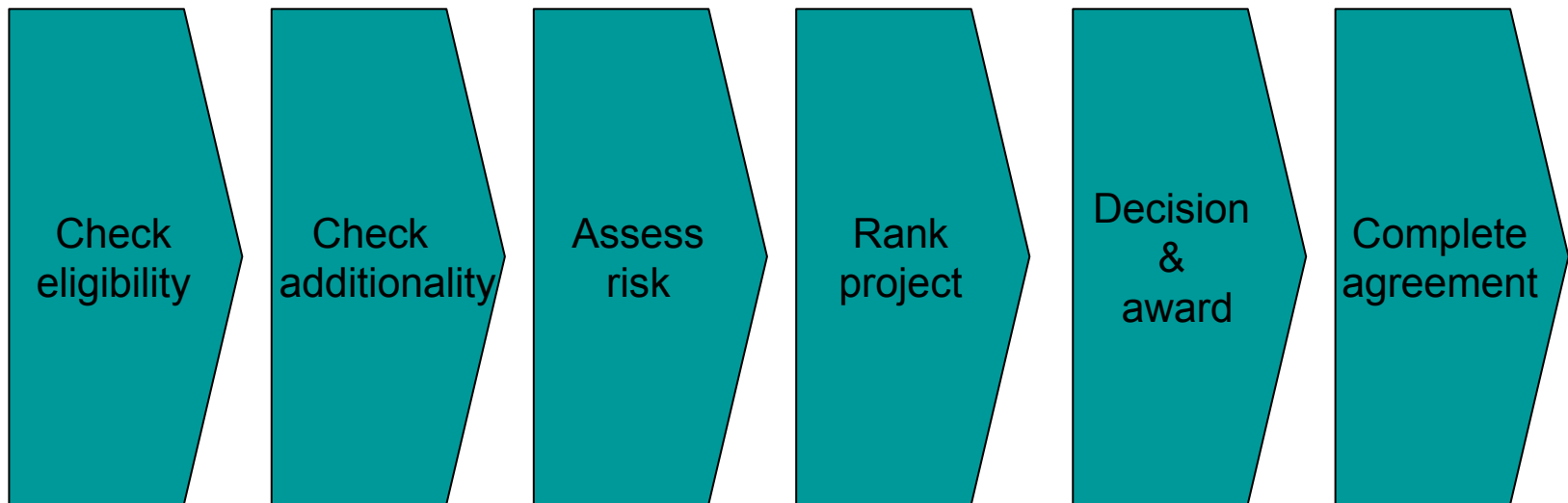
Kyoto has two types of projects:

- Clean Development Mechanism or CDM
 - between developed and undeveloped countries
- Joint Implementation or JI
 - between developed countries

Allow countries to trade to rebalance their inventories



Tender and evaluation process





Is your project eligible?

Your project must achieve:

- Minimum 10,000 tonnes CO₂-e during 2008-2012
- Be additional to 'business-as-usual'
- Reductions that wouldn't occur without project
- Level of reduction \geq number of units requested



Not eligible

- Forest sinks
- Land sequestration
- Firms negotiating Negotiated Greenhouse Agreements



Investment additionality test

- To show project would not have occurred at all under 'business-as-usual' conditions
- Will assess projects on financial and 'other' investment decision criteria
- Tender documents provide Excel model for completion



Environmental additionality

To :

- Quantify the net reduction in greenhouse gas emissions
- Test that abatement during 2008-2012 is at least 10,000 tonnes

Test will take into account potential adverse emissions, such as in building the project



Risk assessment

Risk assessment of:

- Project owner – ability to complete the project (plan, design, fund, build, commission and run)
- Project itself – technically and economically viable (including value put on units)
- Abatement delivery

Designed to identify:

- ‘Show stoppers’ and risks to be evaluated and managed



Size of pool and ranking

- Four million Emission Units available this round
- If qualifying projects come to more than four million units will need ranking
 - Core criterion = units requested
abatement before 2012
 - A lower ratio means higher priority
 - Priority will be given to larger projects that will contribute to near-term electricity security



Evaluation and agreement

- Initial evaluation by Projects team
 - Eligibility, additionality, risk assessment, ranking
 - Recommendation to Assessment Panel
- Assessment Panel
 - Review
 - Recommendation to Decision Maker (CEO, MfE)
- Tender awards decided
- Agreements finalised



Tender timetable

- Tender release: Early September
- Tender close: Late October
- Award decided: Late November
- First agreements: Before Christmas



Looking forward

- Final agreement terms being finalised
- Tender rounds planned to run annually
- Innovative approach
- Exploring the best way to reward quality projects
- Will review the process early next year
- Will make any improvements necessary



What do you do now?

- Register your interest now at:
www.climatechange.govt.nz
- Attend pre-tender briefing:
 - Auckland 9 September
 - Christchurch 10 September
 - Wellington 11 September
- When tender is released get tender documents at:
www.gets.govt.nz



Any questions?