

# Overview of PDD Development Process & Key Pitfalls

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- Key Pitfalls
- How to get started
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## Purpose of PDD

- **Project Design Document**
  - Part of formal CDM requirements (unlike PIN)
- A detailed, well-substantiated document addressing key questions
  - How will project reduce GHG emissions?
  - Why is project eligible for CDM?
  - How will project risks be managed and shared by participants, and project impacts on stakeholders managed?
- Conveys project information to the relevant stakeholders
  - potential investors, validator (DOE), DNA, and public at large
- Format available on UNFCCC CDM website.

## Critical elements of PDD

1. Selection of an applicable, approved methodology:
  - Existing approved methodologies can be combined where appropriate.
  - If no approved methodology exists, can submit new one, but time consuming.
2. Assessment & demonstration of additionality:
  - Most critical issue for project acceptance
  - Project will be refused if not proven
3. Articulation of Sustainable Development Benefits and Documentation of stakeholder consultations, permits, etc.

## **PDD Content**

- General description of project activity
- Application of a baseline methodology
- Duration of the project activity / Crediting period
  - Choice of the crediting period (either 10 years, or 7 x 1 and 7 x 2 years, except A/R activities)
- (Application of) monitoring methodology and plan
- Estimation of GHG emissions by sources
- Environmental impacts
- Stakeholders' comments
- Contact information on project participants
- Information on use of public funding

## **Format of PDD**

- A. General description of project activity
- B. Application of a Baseline and Monitoring methodology
- C. Duration of the project activity / Crediting period
- D. Environmental impacts
- E. Stakeholders comments
- Annex 1: Contact information on participants in the project activity
- Annex 2: Information regarding public funding
- Annex 3: Baseline information
- Annex 4: Monitoring information

## How to get started (1)

- Browse CD4CDM Project's 'CDM Project Pipeline' Tracker Tool  
↳ <http://www.cd4cdm.org>
- Browse DVD/CD-ROM or UNFCCC CDM website:  
↳ <http://cdm.unfccc.int/Projects/pac/index.html>

Here you will find:

- Info on similar projects in process of registration
- Approved methodologies and those pending approval
- PDD templates and guidelines for completing
- Forms to submit new baseline and monitoring methodologies

# Official homepage: <http://cdm.unfccc.int/>

The screenshot shows a web browser window displaying the homepage of the Clean Development Mechanism (CDM). The browser's address bar shows the URL <http://cdm.unfccc.int/>. The website layout includes a navigation menu on the left with links to HOME, CDM, OHG data, and TT: CLEAR. The main content area features a search bar, a 'What's new' section with a 'Call for public inputs' announcement, and several news items including 'SSC - Requests for clarifications / revision of approved small-scale methodologies', 'First emission credits issued under the Kyoto Protocol', 'EB22 - Annotations to the proposed agenda', 'Report of AR WG 06', 'EB annual report to COP/MOP / Small-scale interface / Annexes Meth 18 report', 'New registrations / Public input at validation stage', and 'Report of the Meth Panel'. The right sidebar contains sections for 'Latest documents', 'Information on specific project types', and 'Open call for inputs / experts'.

HOME | CDM | OHG data | TT: CLEAR

CONTACT US | DISCLAIMER | My CDM / LOGIN | JOIN

Your location: CDM-Home

12:36 14 Nov 05

**Clean Development Mechanism (CDM)**

Search:

Executive Board (EB)  
Panels / Working Groups  
Project Activities  
Issuance of CERs  
Methodologies  
Designated National Authorities (DNA)  
Designated Operational Entities (DOE)  
Reference  
CDM News  
Extranets

**What's new:**

**Call for public inputs**  
The Board requested the secretariat to launch a call for inputs until 5 December 2005 related to **alternative methods for calculating emission reductions for small-scale project activities that propose the switch from non-renewable to renewable biomass.** [more >>](#)

**SSC - Requests for clarifications / revision of approved small-scale methodologies**  
Submissions of queries and/or proposals for amendments or new categories to the small-scale methodologies, along with the responses provided by the Small-Scale Working Group (SSC-WG). [more >>](#)

**First emission credits issued under the Kyoto Protocol**  
The Executive Board of the Clean Development Mechanism (CDM) today issued the **first ever certified emission reductions (CERs) under the Kyoto Protocol.** These credits were issued for two hydroelectric projects in Honduras. 'La Esperanza Hydroelectric Project' is expected to initially generate annually 37,000 CERs and is registered in partnership with Italy, while the 'Rio Blanco Small Hydroelectric Project', in which Finland has a stake, produces 17,800 CERs per year. For more information see [press release](#). [more >>](#)

**Latest news:**

**EB22 - Annotations to the proposed agenda**  
Please be informed that the proposed agenda and annotations for the twenty-second meeting of the CDM Executive Board (23 - 25 November 2005) are available on the UNFCCC CDM web site at <<http://cdm.unfccc.int/>>. [more >>](#)

**Report of AR WG 06**  
Please be informed that the report of the sixth meeting of the CDM Afforestation and Reforestation Working Group (AR WG) and its annexes are now available in the AR WG section of UNFCCC CDM web site:... [more >>](#)

**EB annual report to COP/MOP / Small-scale interface / Annexes Meth 18 report**  
(1) Annual Report of the EB to the COP/MOP  
Please note the "Annual Report of the EB to the COP/MOP" is available as advance copy on the UNFCCC and the UNFCCC CDM web site.  
(2) New interface fo... [more >>](#)

**New registrations / Public input at validation stage**  
= RECENT REGISTRATIONS =  
-> "Essaouira wind power project", Morocco  
-> "Hapugastenne and Hulu Ganga Small Hydropower Projects", Sri Lanka  
-> "Magal Ganga Small Hydropower Project", Sri Lanka  
-> "S... [more >>](#)

**Report of the Meth Panel**  
The report of the eighteenth meeting of the Meth Panel is now available in the Meth Panel page of UNFCCC CDM web site: <http://cdm.unfccc.int/Panels/meth>.  
Please note that annexes 2 and 4 (Draft r... [more >>](#)

**Latest documents**

**EB 22**  
Annotations to the proposed agenda of the **Executive Board (EB 22)** [more >>](#)

**AR WG report**  
Report of the sixth meeting of the **AR WG (ARWG 06)** [more >>](#)

**EB report to COP/MOP**  
Annual Report of the EB to the COP/MOP (FCCC/KP/CMP/2005/4) - Advance Version [more >>](#)

**Meth Panel report**  
Report of the eighteenth meeting of the **Meth Panel (Meth Panel 18)** [more >>](#)

**Information on specific project types**

**Small scale** CDM project activities [more >>](#)

**Afforestation and reforestation** CDM project activities [more >>](#)

**Open call for inputs / experts**

Input - Projects [more >>](#)  
Input - Accreditation [more >>](#)  
Input - Methodologies [more >>](#)  
Input - AR Methodologies [more >>](#)

Experts - Accreditation Panel [more >>](#)  
Experts - Accreditation [more >>](#)  
Experts - Methodologies [more >>](#)  
Experts - Afforestation and reforestation [more >>](#)

<http://cdm.unfccc.int/> ↪ **Reference**

- Decisions of CoP and CoP/MoP
  - e.g. Marrakesh Accords
- Documents:
  - Guidelines
  - Templates
  - Reports
  - Modalities and Procedures
- Forms
- Procedures
- Guidance/clarifications

## How to get started (2)

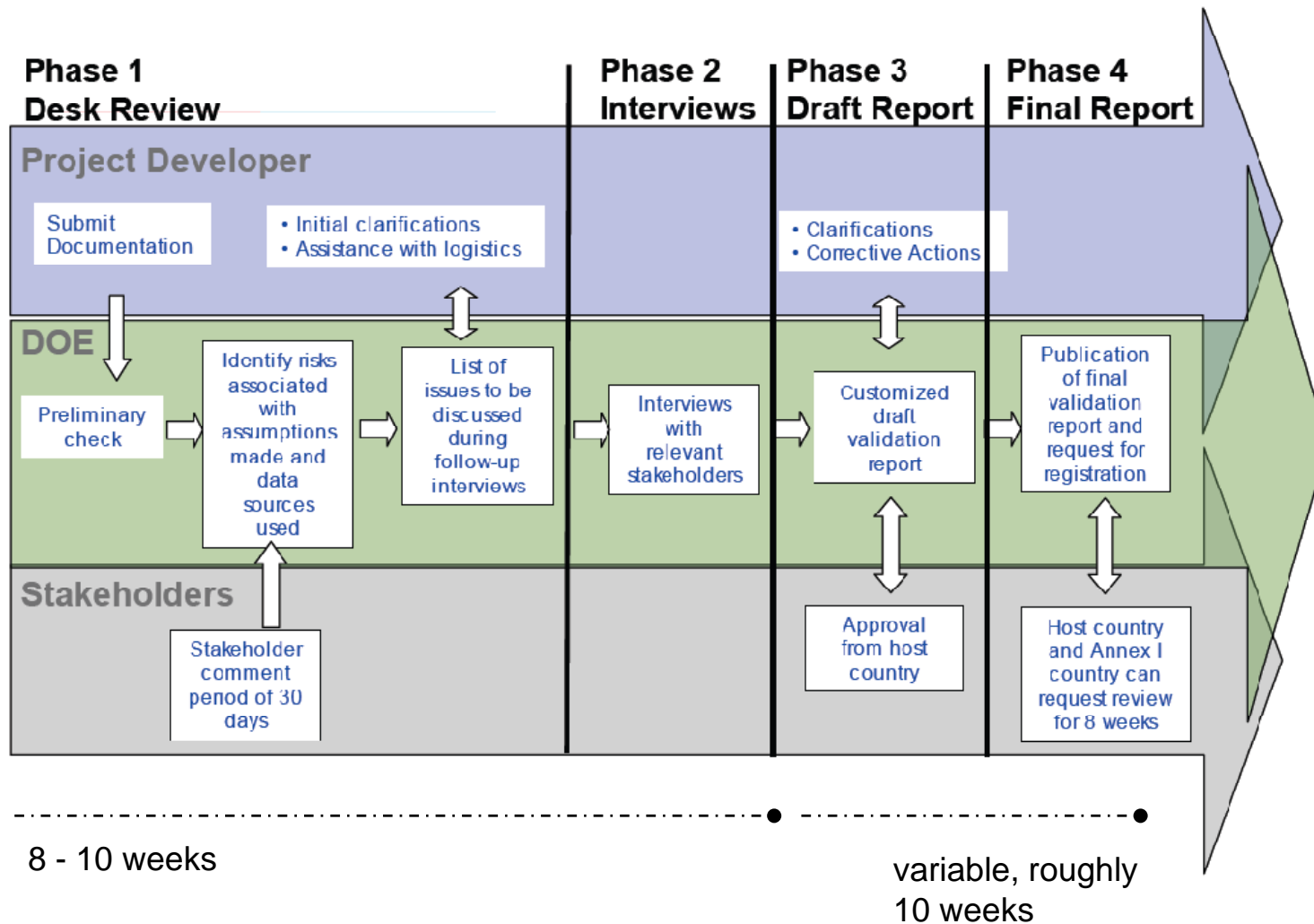
- Browse
  - ↳ <http://cdm.unfccc.int/Projects/Validation>
    - Here you will find PDDs from current projects under validation as examples
- Read “CDM PDD Guidebook – Navigating the Pitfalls,” (UNEP Risø & DNV,2005).
  - Synopsis of key lessons in later presentation...

## **PDD forms**

- Large-scale projects
- Small-scale projects
- Afforestation and reforestation (A&R) projects

**Remember: different forms!**

# Overview of PDD & Validation Process



# 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> <li>Absence of baseline data</li> <li>Poor quality of the PDD</li> </ul>	<ul style="list-style-type: none"> <li>Start date of the project not correct. Lack of evidence of CDM consideration.</li> <li>Evidence of EIA and/or required construction/operating permits/approvals not provided</li> <li>Letter of Approval insufficient or delayed</li> <li>Long delays in the validation process</li> </ul>

**Frequency  
less than  
20%**

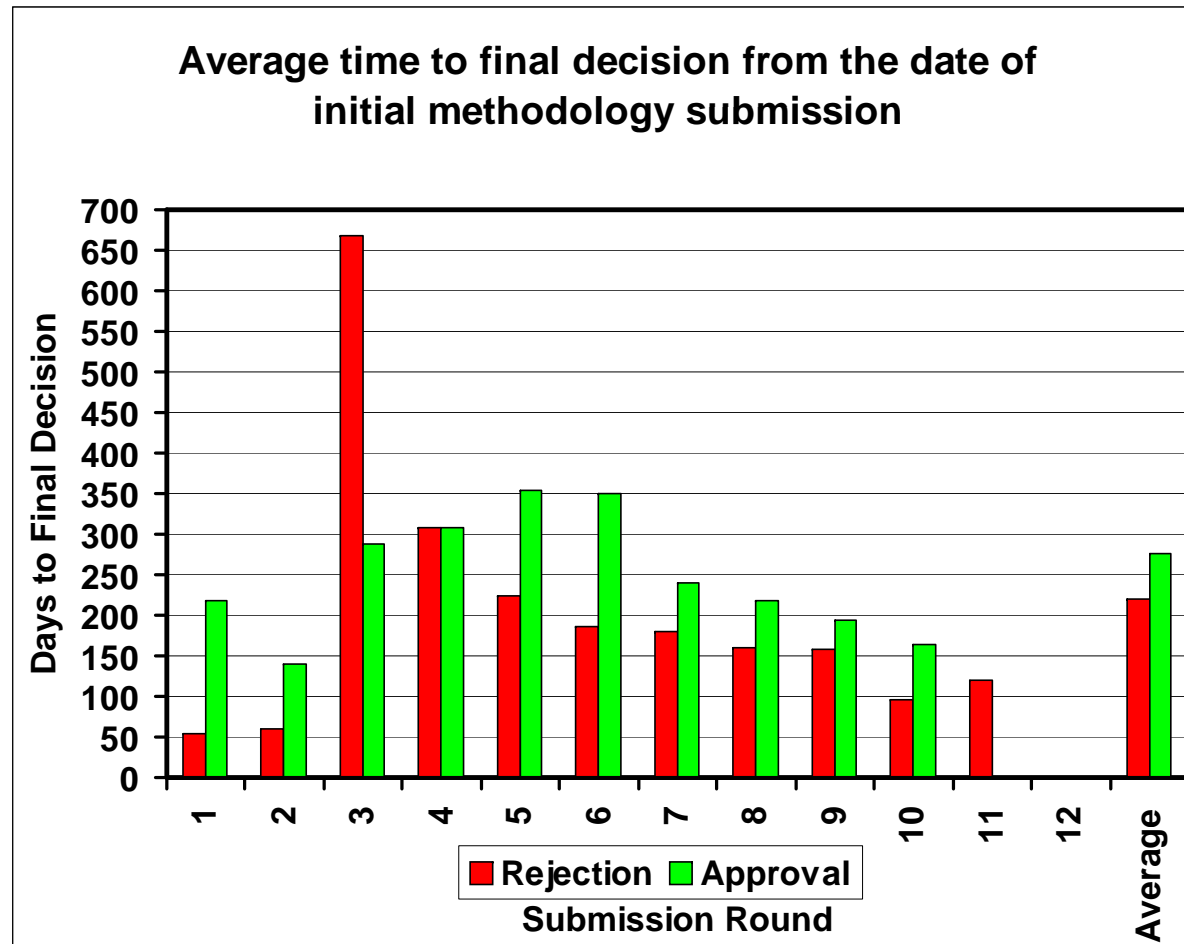
- Project participants not identified clearly
- The modalities of communication with the Executive Board in terms of CERs issuance and allocation instructions not stated clearly, or not signed by all project participants.
- Insufficient description of the technology
- Insufficient explanation of baseline scenarios
- Insufficient explanation of project additionality
- Baseline information not sufficiently supported by evidence and/or not referenced sufficiently
- Major risks to the baseline not identified/described
- The project boundaries not defined clearly
- Project and/or crediting start date unclear
- Deviations from monitoring methodology not justified sufficiently
- Monitoring and project management procedures not defined
- Claims in the PDD do not match with the actual situation on project site
- Insufficient information on the measurement methods and source of data as part of data/parameter description in monitoring plan
- Insufficient information on physical location allowing unique identification of the project activity

- Small-scale selected for a large-scale project
- No written confirmation that funding will not result in a diversion of official development assistance
- Non-compliance with the applicability conditions of the applied baseline methodology or compliance not explained sufficiently

## 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 or B-rated 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 or CFD
  - This is subjective and differs by project type (see guidebook).
  - Don't include attachments in language other than English or detailed permits and licenses only of interest to DOE
  - Don't wait to provide to DOE documents such as financial and emission reduction calculation sheets, permits, etc. until after start of validation.



## Tips & Tricks #5

- *Don't* create delays by being incomplete or lazy 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.
  - Ensure consistency in names of PPs



## 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 verification report
  - letter from DNA in Mali 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!**

