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Extract

DNA structure and CDM project approval process in five Latin American Countries: Argentina, Brazil, Chile, México, and Peru, by Luis Rodrigo Chaparro M. Assistant professor, Universidad Nacional de Colombia. Senior Associate – Numark Associates

THE RULES OF THE CDM establish the need for a Designated National Authority (DNA) in countries interested in participating in the CDM market. DNAs have the mandatory function of assessing CDM projects at the national level and the authority to issue a letter of approval stating that the project assists the country in “achieving sustainable development” (Marrakech Accords). Without a letter of approval a project does not qualify as a CDM project. DNAs have also the option of playing other non-mandatory roles such as the assessment of technical aspects of projects (e.g. baselines and additionality) and promotional functions such as capacity building and marketing. This article describes the structure and procedures of the DNAs in five Latin American Countries (Argentina, Brazil, Chile, México, and Peru) and provides some conclusions on the common aspects and differences among them.

ARGENTINA ¹⁸CDM activities are centralized at the Secretariat of Environment and Sustainable Development in the Ministry of Health and Environment. This institution leads the promotion of new projects through the Argentinean Carbon Facility and is also in charge of the approval of CDM projects through the Argentinean Office for the Clean Development Mechanism (OAMD). The documents required to consider a CDM project for assessment are:

- Written request to consider the activity as a CDM project;
- The Project Design Document (PDD), as required by the CDM Executive Board;
- A description of how the project contributes to sustainable development; and
- Documents proving that the project fulfills national and local regulations.

Within 20 days of receiving the documents the OAMDL conducts a pre-assessment of the project. It reviews the fulfillment of the Kyoto Protocol requirements and the consistency of the project with the national priorities on environment and sustainable development. During the same period the project is also submitted for comments to the local authorities where the project will be located.

Once the pre-assessment is finished, the OAMDL request a technical analysis from an external institution. The reviewer assesses baseline, additionality, estimated emission reductions, crediting period, monitoring plan, economic feasibility and technical feasibility. The technical concept has to be returned within 10 days and is paid by the project developer. The OAMDL Steering Committee analyses the technical report and all documents related to the project and produces a recommendation approving, rejecting or requesting clarifications on the project. The recommendation is submitted to the Secretariat of Environment and Sustainable Development for its formal endorsement.

BRAZIL^{1,2,9}The Brazilian Interministerial Commission on Global Climate Change (CIMGC), created in 1999, considers and approves CDM project activities itself. The Commission is composed of members from the Ministries of Foreign Affairs, Agriculture, Livestock and Supply, Transportation, Mines and Energy, Development, Industry and Foreign Trade, and the Chief of Staff of the Presidency of the Republic. It also includes the Minister of Science and Technology, who chairs CIMGC and acts as Executive Secretariat, and the Minister of the Environment, who is the vice-chair.

The procedure for evaluating and approving CDM projects was established in the CIMGC Resolution No. 1, of September 11, 2003. Project proponents must submit electronic and hard copies of the following documents:

- The PDD in a format determined by the Commission as well as in the format established by the CDM EB. It should contain a description of the contribution of the project to sustainable development;
- Copies of the invitations for comments sent by the project proponents to Municipal governments and City Councils, State and Municipal Environmental Agencies, Brazilian Forum of NGOs and Social Movements for Environment and Development, Community associations, and State Attorney for the Public Interest;
- The validation report, in Portuguese, prepared by a Designated Operational Entity authorized to operate in the country;
- A declaration signed by all project participants identifying the person and form of communication with the Executive Secretariat of the CIMGC;
- A letter of commitment to report the distribution of certified emission reduction units delivered by the project;
- Documents attesting to the compliance of the project with the environmental and labour legislation.

The Commission meets bi-monthly and issues a final decision within sixty days of the first ordinary Commission meeting subsequent to receipt of the documents. The Executive Secretariat maintains a database of all project proposed under the CDM, containing information about the PDDs, the reports that served as the basis for the decision of the Commission, and the validation and verification reports of emission reductions from approved projects. These documents are for public access except for those identified as proprietary, confidential or protected by legislation.

The criteria used to assess the project contributions to sustainable development include the contributions of the project to local environmental sustainability, the improvement of working conditions, net employment creation, fair income distribution, technology development and regional integration.

CHILE^{1,7}Chile has three main governmental institutions that support the development of CDM projects: CONAMA, the National Environmental Commission; Prochile, the agency that promotes external commerce; and CORFO, the Economic Development Agency. CONAMA acts as the DNA, Prochile as a promoter of CDM projects and CORFO as facilitator by promoting regulations and feasibility studies that create incentives for CDM projects in the renewable energy sector.

The DNA was established in May 2003 at the highest level of CONAMA, the Board of Ministers. As the Board includes 13 ministers and the Executive Director of CONAMA, activities are delegated to a steering committee formed of the Executive Director of CONAMA and representatives of the Ministries of Foreign Affairs and Agriculture, National Energy Commission, National Council for Clean Production and, if needed, a representative of the line Ministry under which a particular project falls.

The DNA is only concerned with the sustainability and voluntary character of projects. It does not create additional political institutions or attributions. The Steering Committee relies upon the technical staff of each Ministry to review the projects before they are submitted to the DNA.

To be considered for approval, a project must submit the following information:

- Full description of the project, including a schedule for its operation;
- Statement indicating that the participation in the CDM is voluntary;
- A copy of environmental permits; and
- A letter from the CONAMA Regional Director stating that there are no pending claims.

The criteria to determine the contributions to sustainable development are linked to the environmental permits. Depending on the type of project, the developer has to either undertake an environmental impact assessment (EIA) or obtain a specific authorization that applies to that particular project under the Chilean laws before submitting the CDM project.

MÉXICO ^{1,2,5}The Mexican Committee for Capture and Reduction of Greenhouse Gases Emissions (COMEGEI), comprised of representatives from five ministries (Environment, Energy, Agriculture, Transport and Economy) is the DNA. The Executive Secretariat is with SEMARNAT in the Ministry of Environment. Four working groups report to the Secretariat: project assessment; project promotion; agreements and international issues; and capacity building. Mexico also has a climate change committee at the Ministry of Energy (including all major energy enterprises, authorities and institutions such as Pemex, CFE, L&FC, CRE, CONAE, IMP, IIE and FIDE), which coordinates with SEMARNAT for the analysis, definition and monitoring of activities, projects, and policies on CDM and climate change that affect the national energy sector.

When a project is submitted to the DNA, the COMEGEI Secretariat distributes copies of the applications to the participant ministries, who submit an opinion within 10 days. If no comments are provided, the project is considered approved. An audit is conducted by the project assessment group, which must reach a consensus within the next 20 days, after hearing the views of other parties or groups involved. When this process is concluded a formal letter of approval, request for clarification, or letter of rejection is issued.

The documents required for projects seeking a letter of approval are:

- Documents showing the legal existence and address of the requesting party;
- The PDD, as required by the CDM Executive Board;
- A description of how the project will contribute to sustainable development;
- An EIA, if required by Mexican law; and
- A written commitment to deliver an annual report to the DNA on the results of monitoring, certification, issuance and sale of CERs.

Projects in early stages are only granted letters no objection, in which case the required documents are:

- Documents showing the legal existence and address of requesting party; and
- A brief description of the project proposal using a provided PIN template.

The criteria used for analyzing the contribution to sustainable development include: fulfillment of national environmental regulations; contribution to improve the economic and competitive situation of Mexico (e.g. through investment, wealth generation, employment and/or technology transfer); and contribution to maintain or improve the quality of life of communities (e.g. by providing well paid permanent jobs, promoting equality, improving community health, creating or improving local infrastructure, and promoting capacity building).

PERU ^{1,4,6}The National Environmental Council (CONAM) was appointed in 2002 as the Peruvian DNA. It has authority to establish the CDM regulations and to sign agreements for its promotion. As these two activities may incur some conflict of interest, the National Environmental Fund (FONAM) has been entrusted with the latter task leaving CONAM with the evaluation and approval of CDM projects.

The documents required to review a potential CDM project are:

- Written request to consider it as a CDM project;
- The PDD, as required by the CDM Executive Board;
- Documents proving that the project fulfills national and local regulations.

Once a project has been submitted for evaluation, CONAM sends copies of the PDD to all members of an Ad Hoc CDM Project Committee^a and then visits the project location, interviews local people and prepares a

report on the contributions to sustainable development. A meeting of the CDM Project Committee subsequently provides its recommendations. The approval process is designed to take no longer than 45 days.

The criteria used to assess contributions to sustainable development include compliance with environmental regulations (including EIA if required), consistency with sectoral and environmental policies, technology to be used, coherence with environmental targets and legal framework, relationships with local communities and completeness and consistency of information required in the PDD.

IN CONCLUSION, of the five DNAs reviewed, all are public entities with four reporting to the Ministry of Environment or its equivalent and one (Brazil) to the Minister of Science and Technology. The activities of the DNAs are overseen by steering committees comprised of staff from different institutions, indicating a wide distribution of information on CDM regulations and initiatives among different stakeholders, improving the countries' capacity to deal with CDM. The ministries of foreign affairs, energy and agriculture are usually permanent members of those committees and there seems to be a clear division of institutional responsibility and accountability among the participant institutions.

When these DNAs consider a project they all require the PDD in the format established by the CDM EB and proof that the project fulfills national environmental regulations. Other requirements vary: Argentina, Brazil and Mexico require a description of how the project contributes to sustainable development; Chile asks for a document indicating that participation in the CDM is voluntary; Brazil requests the validation report and copies of the invitations for comments that were sent to different stakeholders; and Mexico and Brazil require a commitment to submit reports on the results of the certification of CERs. The approval process takes no longer than two months in all cases.

The five countries have different models regarding the role of the DNA in promoting CDM projects. In Argentina and Mexico, the DNAs do have responsibilities for promoting the development of CDM projects. In contrast, the DNAs in Brazil, Chile and Peru only evaluate and approve projects. Brazil does not have a governmental institution that promotes CDM projects; this is done by the private sector. In Peru and Chile, the promotion responsibilities are assigned to other institutions working on economic development and export initiatives.

Argentina is the only country that requires a GHG technical assessment in its review process. The other four countries only evaluate the sustainable development contribution, leaving the technical assessment to the Designated Operational Entities. The criteria established to assess the contribution to sustainable development also vary among the countries, ranging from assessing the project's compliance with the existing environmental legal framework, to considering the contribution to improvement of the economic and competitive situation of the countries, and improvement of the quality of life in communities.

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^a Composed of one representative of each of the following institutions/groups: the governmental sector to which the project belongs; FONAM; the private sector; NGOs; the Peruvian International Cooperation Agency; the Ministry of Foreign Affairs and Proinversion. It also includes the head of the Climate Change Unit, a maximum of two environmental impact assessment sectoral experts and a maximum of two other experts.