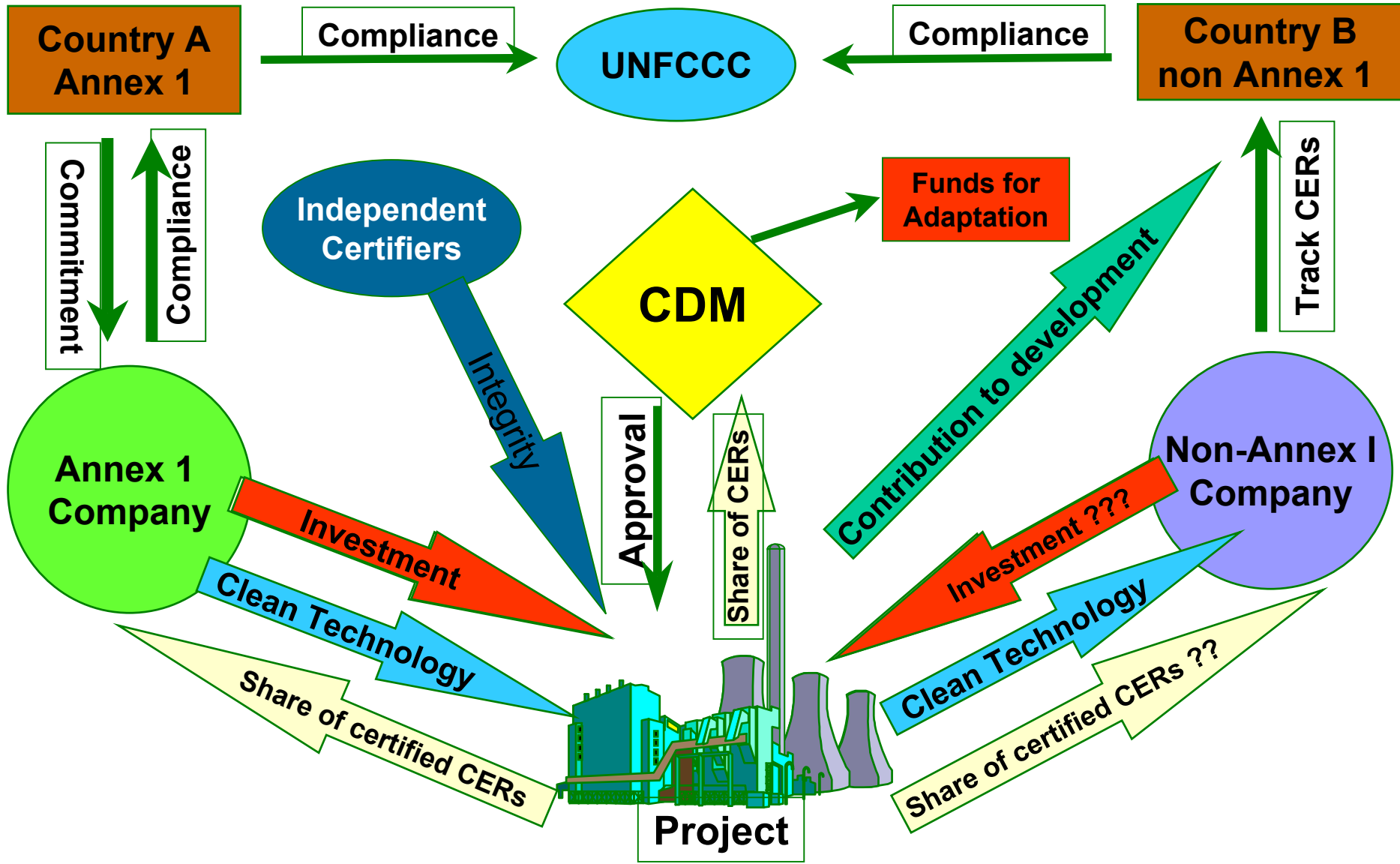


# What is the CDM

---

- The Clean Development Mechanism (CDM) was created in Article 12 of the Kyoto Protocol to the United Nations Framework Convention on Climate Change (UNFCCC).
- It is a completely new international mechanism to promote projects in developing countries that enhance local sustainable development and reduce greenhouse gas emissions compared to what would have happened in the absence of the CDM project activity.

# CDM - A possible model



# Important elements - Baselines

---

- Baselines -To calculate the carbon credits that can be claimed for a CDM project, a baseline needs to be estimated.
- The baseline is the GHG emissions that would have occurred in the absence of the project.
- Therefore the carbon credits will be calculated by comparing the baseline to the actual emissions of the project.

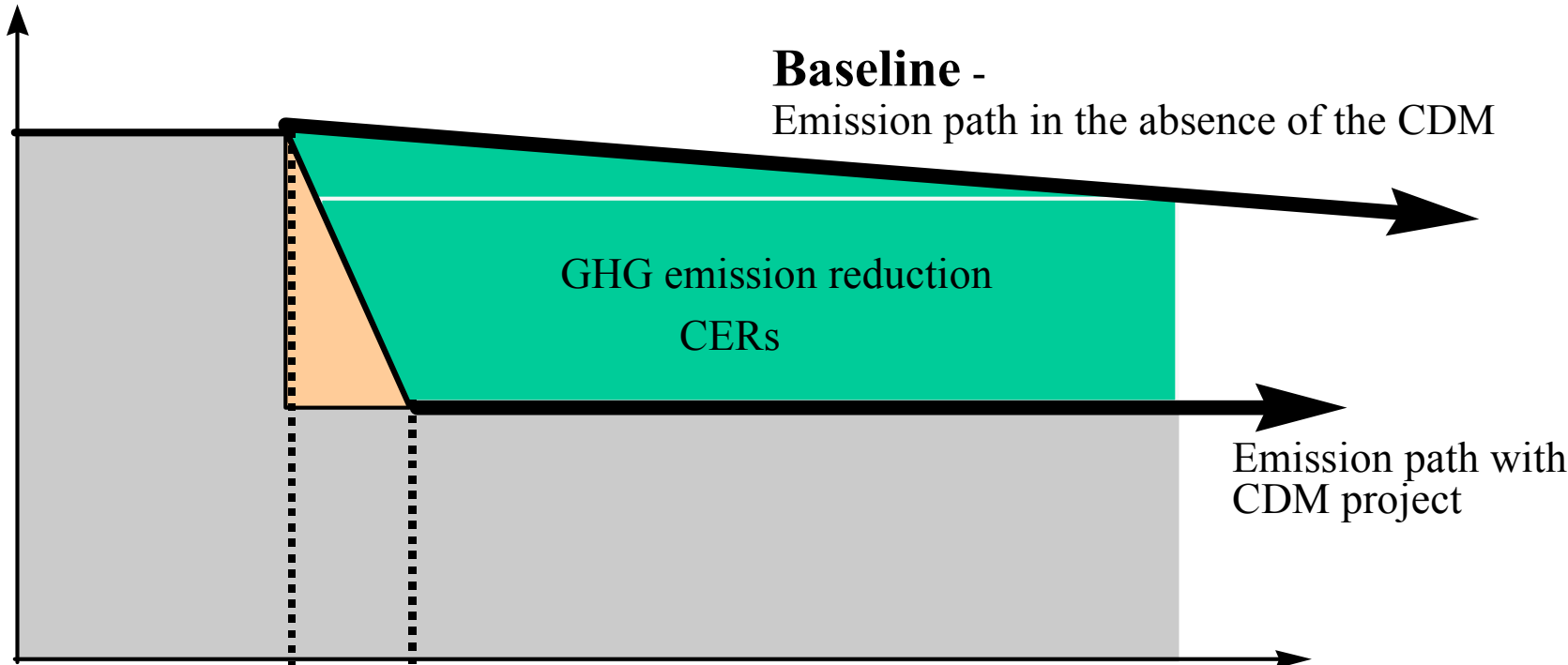
**Baseline emissions - Actual emissions from project = CO2 Credits**

# Measuring a baseline



## CDM - the basic concept

GHG emissions



change in  
approach - eg  
fuel switching

Time

- The environmental “**additionality**” principle
  - ◆ **The project must reduce greenhouse gases consistently over time compared to what would have happened in the given country in the absence of that project.**
- An independent third party must “certify” the “additional” emission reductions attributable to the project.
- Approval by government necessary. CDM executive board determining rules

- ***Retrofits***: a retrofit CDM is the improvement of an existent facility, it is basically to upgrade an operating project. The changing of fuel in a power plant, from coal to gas, is a good illustrative example.
- ***Green fields***: these types of projects are those associated with the avoidance of emissions. A green field project does not replace any existing facility, it fulfils a demand that has not been met.
- ***Sinks***: projects that capture or sequester GHG from the atmosphere are called sinks e.g. Forests

# Acceptability of CDM projects



Project type	Level of GHG reduction	Political Acceptability
Renewables	Low to moderate	Very High
Greenfield Power	Moderate to High	Moderate
Fuel Switching	High	High
Forests	Possibly High	Low
CO2 disposal	High	Low - Moderate

# A private sector view from BP

- ***Understand key issues by doing real projects:*** practical experience will help us understand the difficult areas of baselines and additionality
- ***Keep things simple:*** complex rules will deter the private sector from undertaking CDM projects
- **Tight restrictions on project eligibility may reduce good project to come forward eg. Gas may make major contributions to reducing GHG emissions**
- ***Solar can be a good starting point:*** Many solar projects contribute greatly to sustainable development goals in many countries – Can these types of projects benefit through a CDM???

For further information

---



- **Go to BP's internet site – [www.bp.com](http://www.bp.com) and look under climate change**
- **Or contact Simon Worthington by email at - [worthis@bp.com](mailto:worthis@bp.com)**