

NEWSLETTER no. 20 JULY 2010

# JI & CDM

News on the Danish State's JI and CDM programme

Dear reader,

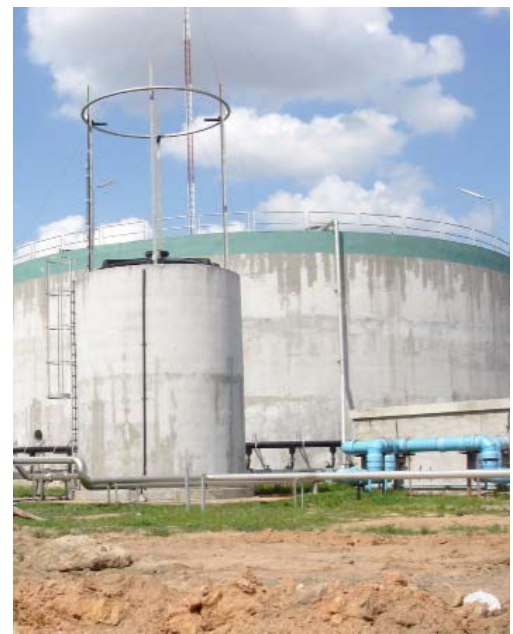
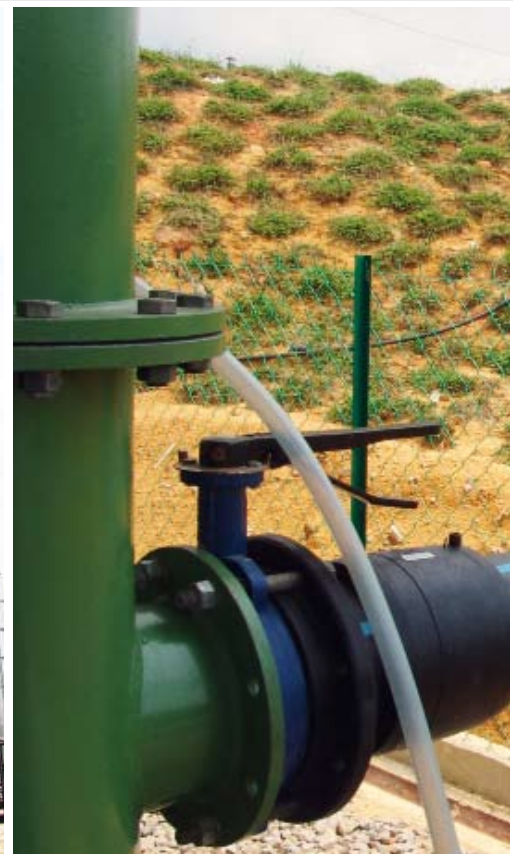
We hereby present the July 2010 edition of the Danish State's Newsletter on our JI-CDM Programme.

In this edition we are pleased to bring thematic articles on Romania; the Danish JI projects in Romania in general as well as a more comprehensive article of one of the particular projects in Romania.

We also bring to your attention specific articles on projects in Bulgaria, China, India and Ukraine. As usual we provide you with updated information on the latest JISC meeting. Finally, we bring you a summary of the recently Climate Forum (Klimaforum) held in Copenhagen mid-June. This summary includes information from the Bonn climate negotiations held in early June.

The next issue of the Newsletter will be published early September.

The JI-CDM Team of the Danish Energy Agency wishes you all a good vacation.





# CONTENT

1. Romania at a glance	3
2. Danish State and Romania are pioneering JI	4
3. Run-down district heating improved in Drobeta Turnu Severin, Romania	5
4. DEA intensifies focus on CDM projects in India	7
5. Two new wind power plant projects in China	8
6. First JI-projects in Ukraine	9
7. The very first transfer of JI credits from Bulgaria received in the Danish registry	9
8. JI Supervisory Committee 22nd meeting, 15-16 June, 2010	10
9. Climate Forum June 2010	11



## Romania at a glance

Romania joined the European Union on 1 January 2007. The country began the transition from communism in 1989 with a largely outdated industrial base and a pattern of output unsuited to the country's needs. The country emerged in 2000 from a punishing three-year recession thanks to strong demand in EU export markets. Domestic consumption and investment have fuelled strong GDP growth in recent years, but have led to large current account imbalances.

Romania's macroeconomic gains have only recently started to spur creation of a middle class and address Romania's widespread poverty. Inflation increased in 2007-08, driven in part by strong consumer demand and high wage growth, rising energy costs, a nationwide drought affecting food prices, and a relaxation of fiscal discipline, but fell in 2009 as a result of the world recession. Romania's GDP growth contracted markedly in the last quarter of 2008 as the country began to feel the effects of a global downturn in financial markets and trade, and GDP fell more than 7% in 2009, and unemployment nearly doubled. Romania intends to adopt the euro by 2014.

## Romania and the Carbon Market

Romania became party to the Kyoto Protocol in January 1999. The country has at present six Track 1 projects. Romania has been part of the EU's scheme for carbon



Romania is located between Serbia, Hungary and Moldova in Eastern Europe.

trading since 2009 and will follow the the vision of some EU member states to reduce carbon emissions by 30 per cent by 2020, compared to the 1990 level, if the rest of the world also sets ambitious targets.

Romania's emitters include power plants, metal products manufacturers, plastics producers and landfills. Many of these are state owned facilities and / or public private partnership connected to the public and local authorities.

Romania's carbon market has been in operation for over a year and local stock exchanges and Romania's state-owned power market operator (Opcom) are wising up to the opportunities of building platforms for trade. Opcom intends to set up a new platform as early as this year, while the Bucharest Stock Exchange (BSE) has also expressed interest in opening a facility for trading Carbon Dioxide (CO<sub>2</sub>) emissions credits. Opcom intends to launch a simple trading platform for companies to auction off their carbon credits in a tailor-made system for the local market.

The Sibiu-based electronic exchange Sibex has a platform for brokers to buy and sell carbon credits. Sibex's system allows the trade by brokers and financial institutions, who are registered in the National Securities Commission (CNVM).

Sources: *The World Fact Book and The Diplomat*

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## Danish State and Romania are pioneering JI

The cooperation between Denmark and Romania on environmental improvements started many years ago and it has been, it is and it should continue to be very successful in the future. The Danish Government and the Romanian Government signed a Memorandum of Understanding back in 2003 and this was followed by the implementation of one of the very first JI Projects “Sawdust 2000”.

A very successful JI cooperation started with the implementation of the “Sawdust 2000” JI Project (2003 – 2004) and it has been continued with the “Geothermal energy in Oradea – Area II and Beius” JI Project (commissioned in January 2005) followed by the “Boiler efficiency improvement at Holboca CET II Iasi” JI Project and “Energy efficiency improvement of the District Heating System in Drobeta Turnu-Severin” JI Project, both up and running since the cold winter of 2006 – 2007.

DEA is very proud to be in the group of the “early movers” of one of the flexible mechanisms of the Kyoto Protocol: Joint Implementation. The cooperation between the Danish Representatives and the Romanian Authorities has had a substantial contribution to the development of the JI concept especially in Eastern Europe.

In order to facilitate further activities the “Romanian National Procedure for Track 1 JI Projects” was enacted in 2008.

All the Danish JI projects implemented in Romania included a strong Danish export component like Danish equipment delivered for the construction.

The Joint Implementation concept was the driver for the dissemination of the Danish know-how in Romania all these years.

## Substantial JI Activity today between the Danish State and Romania.

The activities related to the Danish projects in Romania prove that the JI concept works and it is very effective. The implementation and operation of the Danish JI projects in Romania have been subject of the determination and periodical verifications performed by Accredited Independent Entities (AIE’s) like Det Norske Veritas (DNV) and TÜV SÜD.

Until today on the UNFCCC website four Danish JI Projects are registered under Track I by the Romanian Focal Point out of a total of 6 registered Projects.

DEA is very happy to mention that the JI Projects generated emission reductions which have already been transferred from the Romanian Registry to DEA’s account in the Danish Registry. To prove the efficiency of the Danish-Romanian JI cooperation more than 0,4 mio. credits are already transferred in the Danish Registry. Very soon more ERU’s generated by the Danish-Romanian JI Projects will be transferred to the DEA’s carbon account.

There is a huge opportunity for “GHG reducing activities” in Romania. The Romanian CO<sub>2</sub> market has a significant potential for the years to come. It is important to suggest to the Danish investors and equipment suppliers to investigate opportunities on the Romanian market whether the focus is on Programmatic JI, other projects forms or the other possible projects that could be part of a future post 2012 regime.

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## Run-down district heating improved in Drobeta Turnu-Severin, Romania

A JI project in Drobeta Turnu-Severin in Romania has provided a reliable heating supply and has a positive impact on the city's environment. The Danish Energy Agency has reaped valuable experience from this project, which can pave the way for many, similar projects in Eastern Europe.

### The Idea

Along the banks of the Danube and the border to Serbia, lies the city of Drobeta Turnu-Severin, an urban sprawl of three villages with a total of almost 110,000 inhabitants, situated around the remains of an old Roman fortress in south-western Romania.

Here, as in so many other places in Romania and former Eastern-Block countries, district heating used to be 'a right', and the large and now antiquated district heating systems still exist today.

In Drobeta Turnu-Severin, the district heating system was built between 1969 and 1981, and has since then only been poorly maintained. Necessary repairs and energy-efficiency changes have not been accorded

### **i** Drobeta Turnu-Severin in brief

- Upgrades a system with poor fuel-efficiency and reduces the loss of hot water by 90%
- Reduces carbon emissions by 366,606 tonnes of CO<sub>2</sub> equivalents over a period of seven years
- Provides the people of the city with more reliable and cheaper district heating
- Inspires improvements in other district heating systems in Eastern Europe
- Provides training for employees, as well as pride in delivering a good product
- Provides local jobs during repair and expansion of the district heating system

much priority since the fall of the Berlin Wall.

With this JI project, Denmark is supporting to ensure reliable heating supply in this old fortress town, as well as substantial greenhouse gas emission reductions from the energy production.

### The Project

The technical efforts of the project focus on two elements. First, heat exchangers in the substations are being made more efficient, and second, old, leaky pipes



New improvement makes the district heating system in Drobeta Turnu-Severin more efficient.



in the distribution system are being replaced.

Replacing the pipes is a large construction project, which during the one year implementation phase of the project created new jobs for the city.

Installing new well-insulated pipes reduces heat loss and thus the amount of fossil fuel needed to supply the same amount of heat to consumers. And adding more efficient heat and power production through the use of new technology, makes for a substantially more efficient system.

Previously, the production provided only 20%-30% of the heat and power that could potentially be generated from the fossil fuels, and the overall distribution system was less than 80% efficient.

### Everyday Benefits

The improvements have created more jobs for the city, but also brought other benefits. A new and more reliable district heating system means a considerably smaller risk of supply failure during winter when security of heating supply is vital.

This means better living conditions for the people.



This JI project ensures reliable heating supply in the town of Drobeta Turnu-Severin.

Moreover, this also means the system has more credibility and more people are signing up for district heating, avoiding the use of less climate friendly types of heating.

Another positive feature about the project is the knowledge and education transfers which are a big gain to the employees, partners and subcontractors of the Drobeta Turnu-Sevein district heating company.

But most of all, the project process and the subsequent monitoring have led to better working routines.

### Future Prospects

The project is producing credits over a seven-year period, but the technology can function for at least 20 years of operation.

There are still many old district heating systems in Romania and the former East Block. These hold a potential for investment in improvements to help the climate. The JI project in Drobeta-Turnu Severin is a clear inspiration for new projects.

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## DEA intensifies focus on CDM projects in India

**India maintain a top rating in the Point Carbon CDM host profiles on CDM countries based on their climate change institutions, the investment climate and the potential for CDM projects.**

The Danish Energy Agency has intensified its focus on mature CDM projects in India and visited India for meetings with CDM project stakeholders and partners this June. It remains that government and private stakeholders in India are actively engaged in the CDM sector hence reaffirming Point Carbon's rating. The majority of Indian projects are developed by the project host in close cooperation with CDM consultants based in India and with a sale of Emission Reductions mostly taking place when certified.

The visit is a continuation of the visit by DEA in January 2010 with the aim of actually engaging in concrete CDM projects in India, hence implementing the Memorandum of Understanding on Clean Development Mechanism (CDM) signed by the Danish Ministry of Climate and Energy and the Indian Ministry of Environment and Forests. The agreement provides an opportunity for cooperation between India and Denmark on reducing

greenhouse gas emissions in the field of Renewable Energy, Energy Efficiency and Waste to Energy.

Solar energy and trading of energy savings certificates are areas of high priority for the Government of India. The National Solar Mission with a target of 20,000 MW solar energy capacity by 2020 is one of the eight national missions in the National Action Plan for Climate Change prepared by Government of India. The market based mechanism for trading of energy saving certificates from energy efficiency in large scale industries, is a market which Indian sellers increasingly find interesting. The mechanism is one of four new initiatives on enhancing energy efficiency under the National Mission for enhanced energy efficiency in the National Action Plan.

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Solar Cooker at Mount Abu India, Ministry of New and Renewable Energy





## Two new wind power plant projects in China

### DEA has entered two emission reduction purchase agreements regarding approx 250,000 credits

DEA has agreed to purchase CO<sub>2</sub>-credits from two wind power plant projects in China, namely:

- Hebei Weichang Yangshugou Wind Power Project, 49.5 MW in the province of Hebei
- Hebei Weichang Dishuihu Wind Power Project, 49.5 MW, in the province of Hebei

The two projects are developed by Longyuan Carbon Asset Management Technology Co., Ltd.

The “Yangshugou” project consist of 33 wind turbines each 1.5 MW and will annually generate 113,850 MWh - hence annual emission reductions amount to 108,000 t. CO<sub>2</sub>. In addition, the “Dishuihu” project consist of 33 wind turbines each 1.5 MW and will annually generate 114,250 MWh - also in this project annual emission reductions amount to 108,000 t. CO<sub>2</sub>.

Both projects will supply the power to the North China Power Grid.

The projects are at validation stage and registration is expected medio 2011. Further, road construction, civil works and erection of turbines is in its initial phase.

Final commissioning for the two projects is expected by the end of 2010.



The two wind power project are located in the province of Hebei that borders Beijing.

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The two projects are developed by Longyuan Carbon Asset Management Technology Co., Ltd.



## First JI-projects in Ukraine

**DEA has entered into an emission reduction purchase agreements regarding 1,260,300 credits from Ukraine**

Odessa Gas Company and DEA have agreed to enter a purchase agreement regarding the two JI-projects:

- Reduction of natural gas emissions at OJSC Odesa gas gate stations and gas distribution networks
- Reduction of methane emissions at flange, threaded joints and shutdown devices of OJSC "Odesagas" equipment

The purpose of the projects is reduction of natural gas (methane) leakages in gas distribution posts and in cabinet gas distribution posts.

Secondly, project activities include reduction of methane leakage that occurs as a result of faulty sealing of ground and underground fittings implemented at the switch mechanisms (bolts, cocks and valves), flange and threaded joints of gas pipelines.

Inter alia elimination of all detected leakages and repairs of leaking equipment under this project will vary from replacement of gaskets and wedge valves, use of new compactors or sealing materials, to capital repairs and replacement of safety valves of pressure regulators and piston rods.

The two projects have been registered as Track 1 and monitoring and verifications have been carried out for both projects as well as issuance of credits.

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## The first transfer of JI credits from Bulgaria received in the Danish registry

**Bulgaria has transferred the first credits from JI projects on 4 June 2010 to Denmark. Approximately one million credits were transferred**

The credits have been generated from an energy efficiency project in Bourgas and a N<sub>2</sub>O abatement project in Varna. Denmark has supported the Bulgarian Registry with technical assistance and, jointly with the Dutch government, supported the Bulgarian Ministry of Water and Environment in developing national procedures for JI Track 1.

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Mr. Georgiev from the Bulgarian Registry and Mrs. Mateva, Local Projects Coordinator in Bulgaria for DEA transferring credits to the Danish Registry.



## JI Supervisory Committee 22nd meeting

The JI Supervisory Committee held its 22nd meeting on 15-16 June in Bonn. In addition, a Round table meeting was organized on central JI issues on 14 June for project developers, accredited independent entities (AIEs) and designated focal points (DFPs).



It was very encouraging that more than 50 participants played an active role in the Round Table discussions, and in giving guidance to the JISC on central issues like the concept of materiality, changes to projects during implementation, experiences with the verification procedure and recommendations for the future and outreach JI-activities.

As regards to the issue of materiality, the JISC adopted specific rules as an important step to streamline and clarify the vetting of projects while maintaining assurance of quality.

The new rules allow the mechanism's accredited independent entities (AIE's) to focus their attention on aspects of a project that are likely to have a "material" effect on the quality and amount of emission reductions achieved by the project, within parameters set by the JISC. Also, the JISC adopted procedures for project changes during implementation from a determined project design document and/or monitoring plan.

As regards to accreditation of independent entities, the JISC agreed to maintain the current requirement that only AIEs may sign contracts with project participants for determination and verification work, and entities affiliated with AIEs shall not sign such contracts.

However, the JISC requested the DOE/AIE forum to provide inputs regarding the possibility of delegation of some of the specific listed functions (cf. accreditation standard para 39) to entities/individuals outside AIEs.

Also, the Accreditation Panel was requested to further consider the replacement of the ex-post witnessing activities with performance assessments.

Furthermore, the JISC adopted a communication work-programme which focused on reaching a broader group of stakeholders, including designated focal points (DFP's) and possibly increased collaboration with other organizations with an interest in JI.

The JISC had an in-depth discussion of its critical financial situation. Due to slow contributions from Parties, the JISC had to decide to cancel its planned regular meetings in September and December in favour of a special meeting in October focusing on the finalization of its report at COP16 including recommendations on streamlining the JISC's workprogramme, taking stock of JI's potential post 2012, and finding a more secure and sustainable financial model for undertaking JISC activities.

For the time being, only three voluntary contributions to support the JISC activities had been declared, that is from Finland (US dollars 20.000), Japan (US dollars 83.000) and Denmark (US dollars 60.000).

For further information regarding the 22nd JISC meeting, please visit the UNFCCC homepage [www.UNFCCC.int](http://www.UNFCCC.int).

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## Climate Forum June 2010

The Danish Energy Agency had the pleasure of hosting over 100 participants at Climate Forum on the 18th June 2010. The central topics for discussion pertained to the future of the carbon markets after 2012 and the possibility of carrying out JI projects at a domestic level. The Chairman of JI Supervisory Committee Mr. Benoît Leguet, presented the JI post-2012 perspectives.

Climate Forum is hosted by the Danish Energy Agency for the benefit of the collective Danish JI/CDM stakeholder-base. It is used as a platform to update the JI/CDM resource base on the latest developments within the Danish JI/CDM programme, political developments in the post-Kyoto negotiations, and interesting aspects of the global CO<sub>2</sub> market. The target audience is comprised of compliance sector, export organizations, public authorities, investment funds, trade organizations, NGO's and others with an interest in the carbon market.

Climate Forum is held biannually for the purposes of exchanging experiences, ideas and information about carbon trading and international climate projects.



There were about 100 participants at Climate Forum on 18th of June.

Martin Hansen and Ulla Blatt Bendtsen reported from the climate negotiations in Bonn in June 2010. A key message is that the negotiations in Bonn were held in and positive and forward looking atmosphere. The text of the Copenhagen Accord is now a key element in the further negotiation text of under the Climate Convention.

As of June 1st 42 Annex I Parties have provided information related to Emissions targets in 2020 under Appendix I of the Copenhagen Accords, 37 non-Annex I Parties have provided information on Nationally



Mr. Benoît Leguet, Caisse des Dépôts Climat, presented the French experience with the implementation of domestic JI.



During lunch there was time to network and enjoy a sandwich.

Appropriate Mitigation Actions under Appendix II of the CA and 51 countries have associated themselves with the Accord.

Altogether 130 countries, covering 84% of the global emissions, 83 % of the World's population and 90% of global GDP is associated with the CA.



At the Climate Forum Ulla Blatt Bendtsen reported from the climate negotiations in Bonn in June 2010, and Morten Prehn, Core Carbon Group / JIAG, gave his opinion from the project developers point of view.

This is more than expected, but less than needed to keep global average temperature rise below 2 °C. Also immediate action to follow-up the CA has been taken in the form of up-start financing, in particular from the EU. Bilateral initiatives were also announced such as the creation of a new forest fund by Norway and France and an initiative on adaption by Spain. And a comprehensive work program for the negotiations up to Cancun has been agreed on.

On the flexible mechanisms, some progress was made, in particular regarding the reform of the CDM where standardized baselines (SBL) received positive attention.

SBL can help reduce transaction costs, increase transparency, improve environmental integrity, and increase the no. of CDM projects in under-represented sectors and regions. It is hoped that modalities and procedures for increased use of SBL can be agreed on in Cancun.

On other carbon market related matters no conclusions were reached as many of the issues are closely related to the number discussion, i.e. reduction targets and NAMAs, and are not likely to be concluded until agreement can be made on a legally binding climate treaty "nothing





is agreed until everything is agreed". However, from a market player perspective, it is positive to note that the Kyoto Protocol will remain in force after the end of the first commitment period, CDM can continue, and the EU climate legislation allows for the continued use of CDM credits until 2020.

Jl projects cannot generate credits in the absence of a new commitment period but the EU legislation opens up for some forms of Jl like trading, e.g. from projects in the non-ETS sectors in other EU member states.

The next session of the forum was to discuss domestic Jl. Benoit Leguet, Caisse des Dépôts Climat, presented the French experience with the implementation of domestic Jl. Benét Hermind and Karim Arfaoui presented legal issues in relation to the Kyoto Protocol and the Danish Pilot Project on National Jl, which is just starting up.

More information on the Pilot Project and links to sites on Domestic Jl can be found at the ens.dk website:

[http://www.ens.dk/da-DK/KlimaOgCO2/Klimaprojekter/for\\_virksomheder/national%20Jl/Sider/Forside.aspx](http://www.ens.dk/da-DK/KlimaOgCO2/Klimaprojekter/for_virksomheder/national%20Jl/Sider/Forside.aspx)

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**The Jl and CDM Team of the Danish Energy Agency wishes you all a great summer!**

