

International Carbon Market Unit
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Call for CDM proposals – Frequent Asked Questions (FAQ)

1. What are the objectives of the Swedish CDM and JI programme?

The objectives of the Swedish CDM and JI programme are to further develop the flexible mechanisms to help lay the foundation for continued and expanded international climate cooperation, achieve cost-effective greenhouse gas reductions and contribute to transformational change and sustainable development in the host countries of the projects. The Swedish CDM and JI programme supports projects that demonstrate real examples for a global low carbon development and give rise to other development benefits for their host communities.

The Swedish Energy Agency has been responsible for the Swedish governmental CDM and JI programme for over a decade. The programme will fund up to 40 million tons of CO₂ equivalent emission reductions through the flexible mechanisms as part of Sweden's national target for 2020. To date, more than half of that volume has been committed. The programme supports climate change mitigation activities through both bilateral projects and multilateral CDM and JI funds. Currently the Swedish Energy Agency participates in over 80 bilateral CDM and JI projects in Asia, Africa, Latin America and Eastern Europe as well as in eight multilateral funds.

2. How many CERs will the Swedish Energy Agency purchase?

The Swedish Energy Agency intends to fund up to 40 million tons of CO₂ equivalent emission reductions through the flexible mechanisms of the Kyoto Protocol as part of Sweden's national target for 2020. To date, more than half of that volume has been committed.

Through the call, the Swedish Energy Agency intends to contract up to 10 million CERs generated within the eight years of the Kyoto Protocol's second commitment period from 1 January 2013 to 31 December 2020. The amount of CERs that will be purchased through the call for CDM proposals is however not predefined but will depend on the quality, quantity and distribution of proposals submitted.

3. Why is the call for CDM proposals announced?

The Swedish Energy Agency aims to continue the support to flexible mechanisms and to further expand and diversify its CDM programme the next coming years. In the current carbon market situation, caused by the lack of demand for emission reductions, the Swedish Energy Agency is one of the active buyers, resulting in significant interest from project participants. The call for CDM proposals is announced in order to assess incoming proposals in a structured and coordinated way.

The Swedish Energy Agency reserves the right to contract CERs in any way that best serves the Swedish CDM programme's overall objectives.

4. Which host countries will be of interest?

The current geographical focus is on countries in Sub-Saharan Africa and South East Asia. Developing countries underrepresented in the CDM and Least Developed Countries (LDCs) are of particular interest. **Proposals from other host countries are also eligible but they are expected to represent a smaller share of shortlisted proposals under this call. Since a large share of our bilateral projects are located in China and India, new projects in these countries will represent a very small share of the shortlisted proposals under this call.**

5. What kind of projects will be considered?

Both individual CDM projects and Component Project Activities (CPAs) under Programmes of Activities (PoAs) will be considered.

Priority project types include renewable energy, energy efficiency and waste management.

The focus is on projects that have not yet been commissioned. Projects that are at risk of being discontinued will also be of interest. Other projects that have already been commissioned are of interest if they are located in LDCs or other countries with few CDM projects.

6. Who are invited to submit proposals?

Proposals should be submitted by project participants rather than intermediaries. The Swedish Energy Agency will only enter into Emission Reductions Purchase Agreements (ERPAs) directly with project participants such as owners, investors and/or CMEs.

7. Which crediting periods will be considered?

The Swedish Energy Agency will only contract CERs generated within the eight years of the Kyoto Protocol's second commitment period from 1 January 2013 to 31 December 2020.

8. Is UNFCCC registration required before submission?

No. Both registered and non-registered proposals will be considered. **The registration date may be before or after 31 December 2012. However, only CERs generated from 1 January 2013 to 31 December 2020 will be considered under this call.**

Submitted proposals should state the relevant CDM stage in the “CDM Proposal Form” choosing between pre-Validation, under Validation, Registered or Issuing CERs. Each CPA under a PoA should also choose between pre-Inclusion, under Inclusion, Included or Issuing CERs.

9. How will the project selection process be carried out?

The Swedish Energy Agency will shortlist proposals of interest after an initial screening. The screening is based on the information given in the “CDM Proposal Form”, supplementary information submitted as attachments and publicly available information.

Requested price per delivered CER will be one of the key benchmarks used for selection. The Swedish Energy Agency strives to compose a well-diversified CDM portfolio in terms of host countries and project types. Important consideration will also be given to the activities’ cost-efficiency, contribution to sustainable development and leverage of private funding as well as the innovative and transformative potential of the activities.

10. How is the price per delivered CER decided?

The Swedish Energy Agency recognises that the current CER market price is insufficient to incentivise new investments in climate change mitigation. Thus, the Swedish Energy Agency intends to utilise the call as a price discovery mechanism to identify cost-effective mitigation opportunities worldwide.

Submitted proposals should include a fixed price offer expressed in EUR per CER **that reflects the CER price needed to implement the proposal (i.e. implement or continue the project), taking into account the overall business model of the proposal, including other revenue streams and financing.** Prices will be compared with other similar proposals. Proposals shall also include explanation of the role of carbon finance in the project and how carbon revenues will be used.

Shortlisted projects will be expected to sign a Term Sheet setting out basic commercial and legal terms, including price.

11. What are the contractual and payment terms?

The Swedish Energy Agency uses a standardised template for Emission Reductions Purchase Agreements (ERPAs). The template includes clauses denoting that the Swedish Energy Agency must be added as a Project Participant and Focal Point (except for PoAs) according to the UNFCCC regulations as well as standard clauses concerning delivery shortfall and remedies. In general, adjustments in the ERPA template will be limited to the incorporation of project-

specific features, such as delivery schedules and milestones (Conditions Precedent) for entry into force of the ERPA. Please see the available Template Term Sheet for detailed information.

The contract quantity shall be between 200,000 and 800,000 CER. However, for projects in LDCs smaller volumes may be considered.

It is possible for a proposed project/programme to have the potential to generate more than 800,000 CER in total during the period 2013-2020. Even in such cases, in order to maintain a diversified portfolio and manage risks, the Swedish Energy Agency will limit the contract volume to up to 800,000 CERs from one project or programme.

It is also possible for the project to offer only a portion of the expected CER generation to the Swedish Energy Agency, anywhere between 200,000-800,000 CER. In such cases, it is useful to clarify the status of the other CERs, too, e.g. whether they are already contracted to another buyer.

The contract quantity shall be risk-adjusted to 80% of PDD volume (or equivalent best estimate). The remaining 20% of PDD volume (or equivalent best estimate) will be included in the contract as an option for the Swedish Energy Agency to purchase upon issuance. For example, if a proposal is estimated to generate 500,000 CERs during the period 2013-2020, the Swedish Energy Agency could contract up to 80% of this volume, namely 400,000 CERs, and include the remaining 100,000 CERs as an option.

The Swedish Energy Agency will only offer fixed price payment-on-delivery terms.

12. How/when will project participants learn if they are shortlisted?

Shortlisted project participants will be contacted through email within two months from 16 February 2014. Project participant not shortlisted will receive notification via email within three months from 16 February 2014.

13. Can project participants submit several proposals?

Yes. However, only one proposal per project/programme will be considered.

14. Can several projects be included in one proposal?

No. Each proposal should only concern one individual CDM project or one Programmes of Activities (PoAs). However, proposals regarding a PoA may include several CPAs.

15. Will the Swedish Energy Agency support in covering upfront CDM transaction costs?

The Swedish Energy Agency will consider providing support for covering CDM transaction costs only in exceptional circumstances. Such support should be

reflected in a lower CER price and/or deducted from eventual CER payments. The need for such support should be clearly indicated in the submitted proposal.