

# OPTIONS TO USE EXISTING INTERNATIONAL OFFSET PROGRAMS IN A DOMESTIC CONTEXT

Case Study: The use of CDM in support  
of domestic offset schemes

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1. Background on the CDM registry
2. The use of CDM in domestic context
  - a) Prompt start of the CDM registry
  - b) Exchange of CERs for ETS compliance grade units:
    - i. Through domestic tracking

Example: EU ETS
    - ii. Through voluntary cancellation of CERs

Example: Republic of Korea ETS



## Background on the CDM registry – Key mandates

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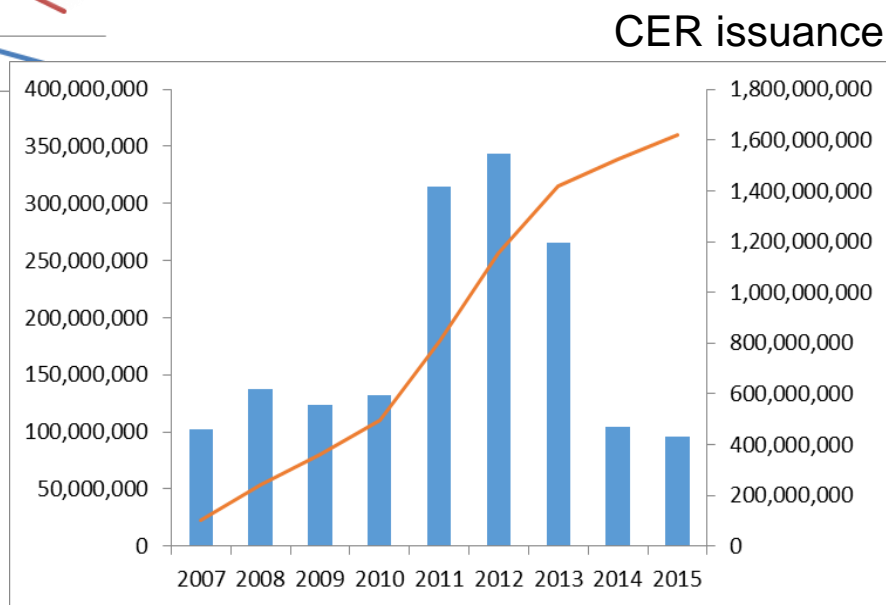
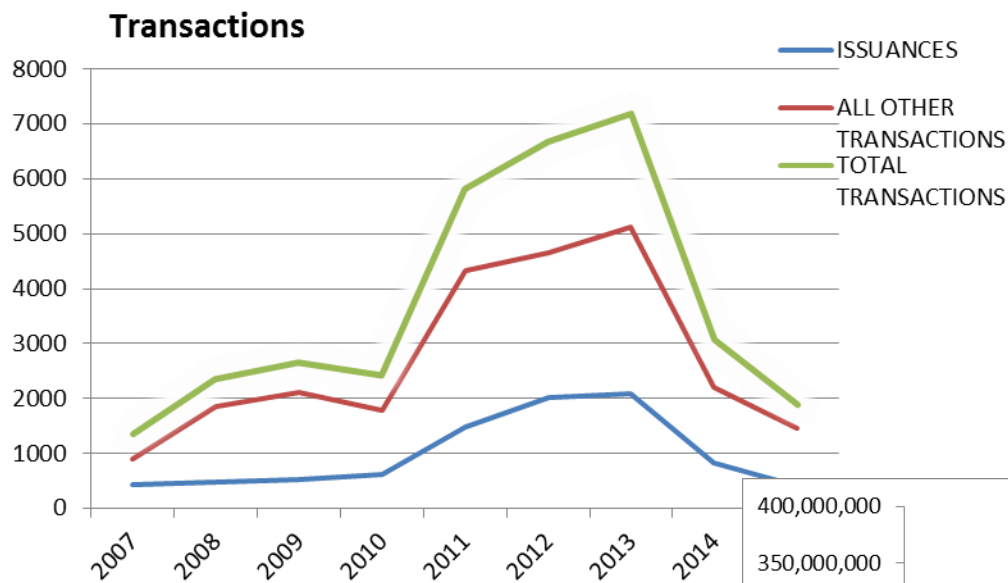
- The CMP at its first session (Montreal, 2005), established the following:
  - The CDM Executive Board shall develop and maintain the CDM registry
  - The CDM registry is to be a standardized electronic database that ensures the accurate accounting of the issuance, holding and acquisition of CERs
- The CDM registry supports the following transaction types:
  - Issuance
  - Forwarding to project participants
  - Cancellation: voluntary and special purposes
  - Adaptation Fund Board levy
- Provides holding services to non-Annex I Party project participants (PPs)



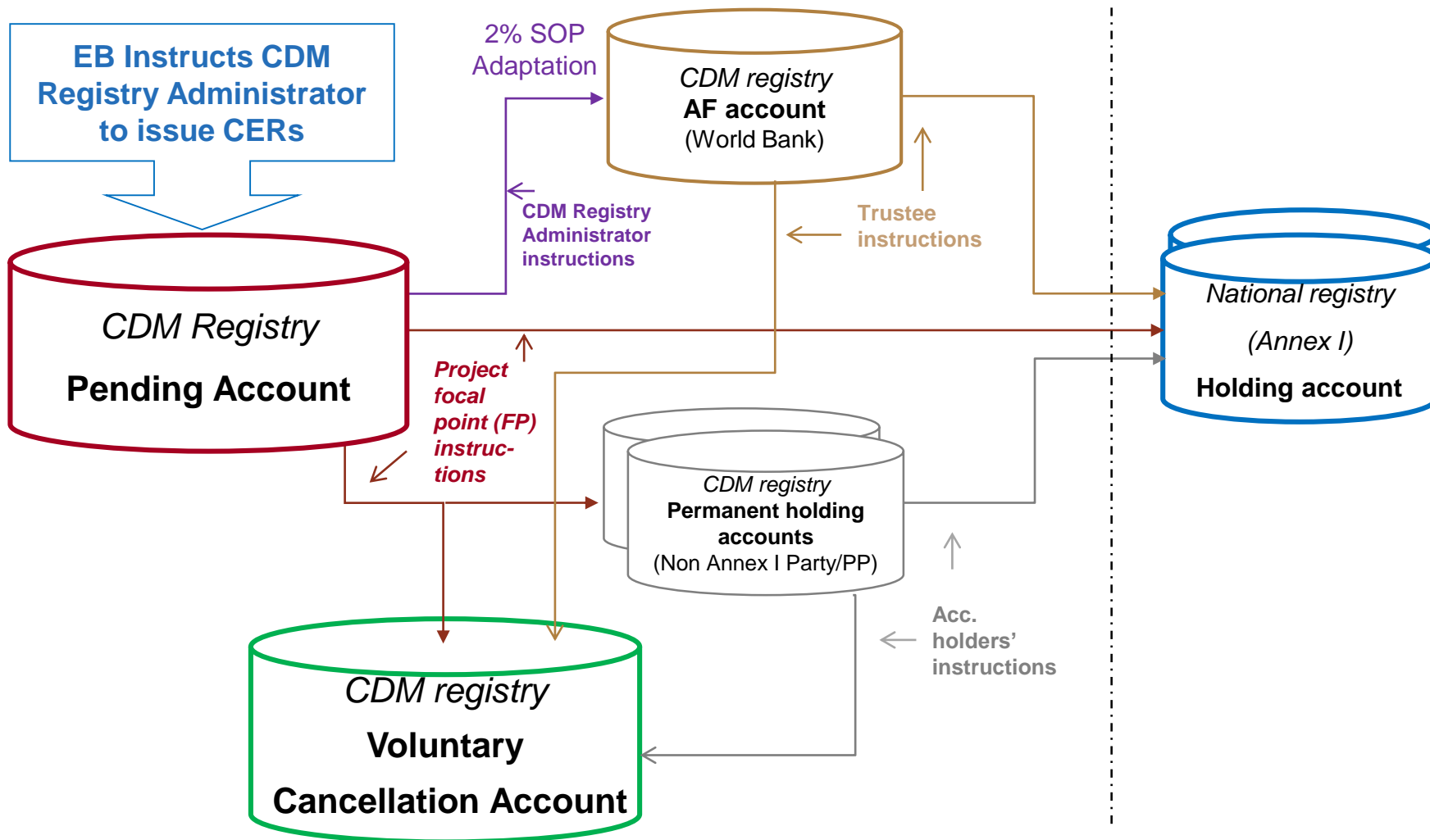
- Launched and connected to the International Transaction Log (ITL) in 2007
- External service provider developed and supports the CDM registry
- The CDM registry is integrated with the CDM Information System for project related data
- Financed from CDM share of proceeds (money!) levied on registered projects
- A dedicated business unit supports:
  - Transactions processing and reporting
  - Account maintenance
  - Designation of signatories for CDM projects (over 8000 registered) and holding accounts (100)



# Background on the CDM registry – Transactions and CERs issued



# Background on the CDM registry - Business processes



## Prompt start of the CDM registry

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- The CDM market started in 2005 and was active by 2007
- Entities with domestic obligations, particularly within EU ETS, needed to receive their CERs
- The International Transaction Log (ITL) and many national registries were not ready at that time:
  - The CDM registry launched and connected to the ITL in 2007
  - Most registries of Annex I Parties connected to the ITL in 2008
- Parties requested the CDM registry to support the acquisition of CERs by:
  - Maintaining temporary holding accounts (THAs) for Annex I Party PPs
  - Forwarding the holdings in THAs to the Annex I Party PPs corresponding national registry accounts upon connection of the respective national registry to the ITL



### Use of CERs in EU ETS phase III:

- EU ETS accepts CERs for exchange to ETS compliance grade units on the basis of eligibility criteria (project type, commitment period, etc.)
  1. The EU ETS registry (the Union Registry) is integrated with the EU member states Kyoto registries where CERs are forwarded from the CDM registry
  2. Operators with compliance obligations under the EU ETS can transfer eligible CERs to a central account in the Union Registry in exchange of equivalent number of EU allowances (EUA)





## Voluntary cancellation within the Kyoto accounting system

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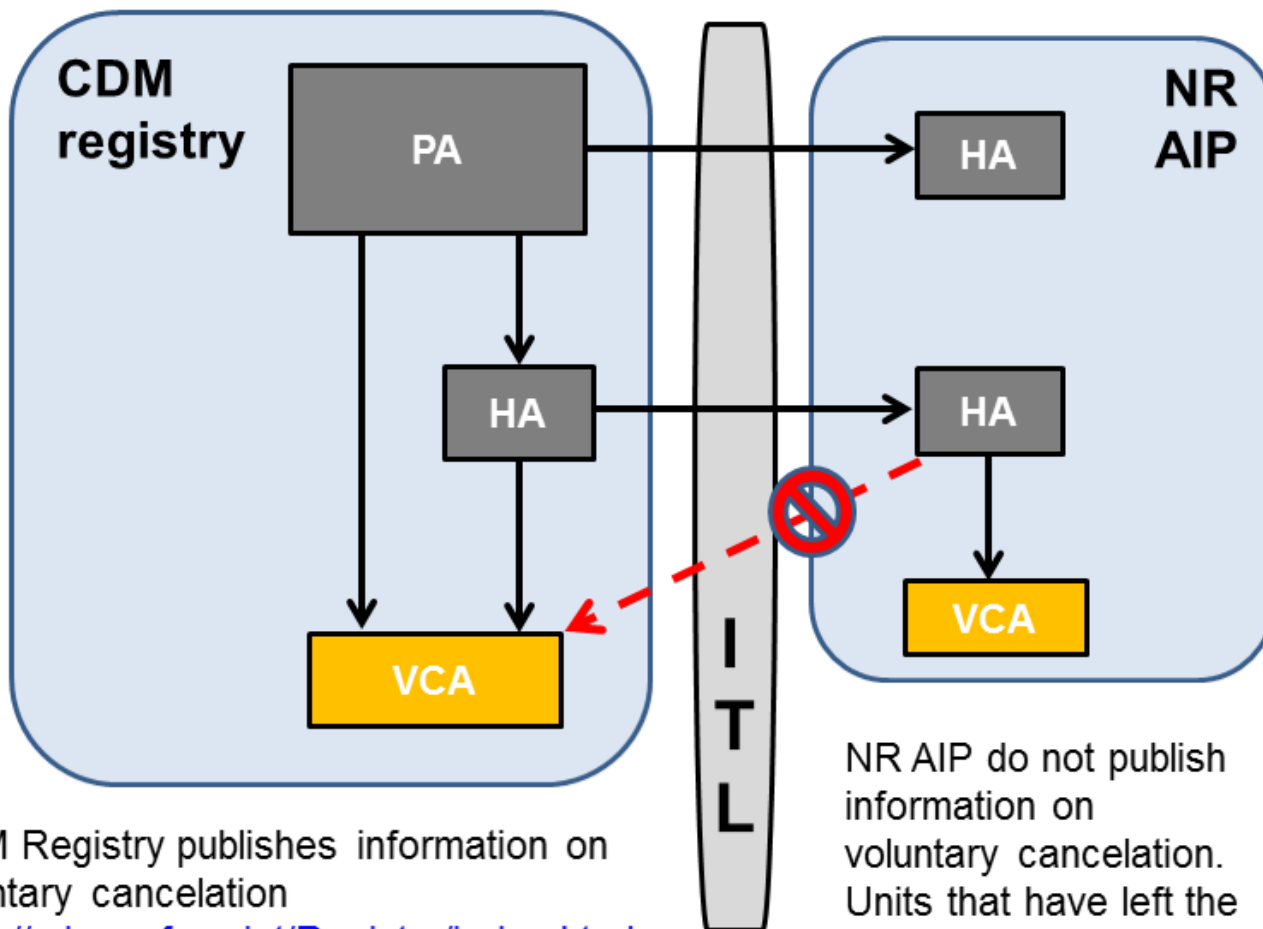
21. Each national registry shall have the following accounts:
- (a) At least one holding account for the Party
  - (b) At least one holding account for each legal entity authorized by the Party to hold ERUs, CERs, AAUs and/or RMUs under its responsibility
  - (c) At least one cancellation account for each commitment period for the purposes of cancelling ERUs, CERs, AAUs and/or RMUs under paragraph 12 (d) above
  - (d) One cancellation account for each commitment period for the purposes of cancelling ERUs, CERs, AAUs and/or RMUs under paragraph 12 (e) above
  - (e) At least one cancellation account for each commitment period for the purposes of cancelling ERUs, CERs, AAUs and/or RMUs under paragraph 12 (f) above
  - (f) One retirement account for each commitment period.

**Voluntary cancellation** is a transaction type that involves the transfer of units from a holding account in a national registry to a voluntary cancellation account in the same registry. This is a process that cannot be “reversed”, in the sense that cancelled units can not be used in subsequent transactions.

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## Voluntary cancellation in the CDM and in national registries



CDM Registry publishes information on voluntary cancellation  
<https://cdm.unfccc.int/Registry/index.html>

NR AIP do not publish information on voluntary cancellation. Units that have left the CDM Registry can only be canceled in NR.AIP

## Options for using voluntary cancellation of CERs

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- Voluntary cancellation (VC) of CERs can be tracked:
  - Directly through a regular VC process - VC is tracked through a transaction evidence, e.g. attestation of cancellation, transaction confirmation, holding account statement/transactions report
  - Indirectly through a central holding account – VC is tracked by transferring the units to a central account held by an (ETS) regulator.  
The regulator controls/instructs VC
- With or without re-issuance / exchange to domestic compliance grade units



## The CDM registry and national registries – opportunities and limitations

CDM registry	National registry
Only non-Annex I Party PPs can hold CERs	Some are open to overseas clients
Transactions limited to issuance, forwarding and cancelations	Support transfers and acquisitions internally and between national registries
CP1 CERs can subsist and move <u>within</u> the CDM registry after the CP1 true-up	Carry-over applies (2.5% limit)
Limited user interface	Online user interface
Publicly available attestations of VC	Only aggregated information on VC
No charges apply	Fees apply
No eligibility applies	Operations subject to Kyoto eligibility



Other key considerations for domestic scheme:

- Eligibility rules for CERs and entities
  - Types of CERs: commitment period, sectors, host Party
  - Entities: only PPs or any entity with compliance obligations can use CERs
- Exchange to domestic units or direct acceptance of VC evidence



## Exchange of CERs within Republic of Korea ETS

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The regulator of the Republic of Korea ETS has opted to exchange CERs to Korean Offset Credits (KOC) by:

- Accepting CERs from CDM projects hosted domestically
- Accepting voluntary cancellations in the CDM registry:
  - Requests submission of [attestations of voluntary cancellation](#) issued by the CDM registry administrator
  - The CDM registry administrator maintains a [secure website](#) with the Korean MOE to confirm published attestations of voluntary cancellation



### ATTESTATION OF VOLUNTARY CANCELLATION

In accordance with the provisions to provide voluntary cancellation services in the CDM Registry, this attestation hereby certifies completion of the following voluntary cancellation transaction:

- **Transaction reference:** CDM XXXX
- **CDM project activity reference number:** XXXX
- **CDM project activity name:** XXXXXXXXXXXXXXXXXXXXX
- **Number and type of cancelled units:** XXXX CERs [tCERs / ICERs]
- **Start serial number:** XXXX
- **End serial number:** XXXX
- **Purpose / beneficiary of the cancellation:** XXXXXXXXXXXXXXXXXXXXX  
XXXXXXXXXXXXXXXXXXXXXXXX
- **Date of cancellation transaction:** XX.XX.XX / XX.XX.XX

Information concerning the above voluntary cancellation is available on the CDM website at the following link: [http://cdm.unfccc.int/Registry/vc\\_attest](http://cdm.unfccc.int/Registry/vc_attest)

**CDM Registry Administrator**

**UNFCCC**

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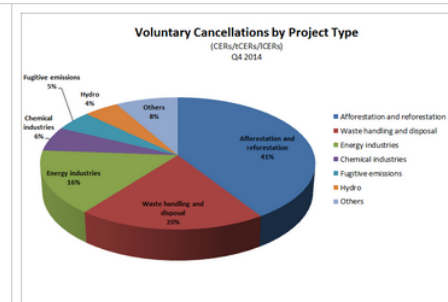
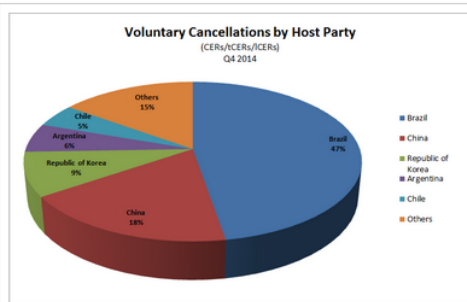


# CDM registry VC public page

This page provides a list of all CERs that have been cancelled to date in the CDM Registry for voluntary purposes.

Total CERs/ICERs/ICERs voluntarily cancelled to date : 4,502,890

For more information on the voluntary cancellation of CERs click [here](#)



Project/POA number	Project name	Project type	Host country	Quantity of units cancelled	Unit type	Purpose/Beneficiary	Date of completion	Link to the attestation
4853	<a href="#">Hebei Guyuan County Dongxingyong 199.5 MW Wind Power Project</a>	Energy industries (renewable - / non-renewable sources)	China	112,103	CER	those cancelled CP1 CERs will be transferred into VCS VERs , those VCS VER will be managed by belowed VCS APX account: Account ID: 1495 Company Name: Goldchina Consultancy International Co., Ltd. VCS Project ID: 903	03/09/2015	<a href="#">Attestation letter</a>
4853	<a href="#">Hebei Guyuan County Dongxingyong 199.5 MW Wind Power Project</a>	Energy industries (renewable - / non-renewable sources)	China	305,693	CER	those cancelled CP1 CERs will be transferred into VCS VERs , those VCS VER will be managed by belowed VCS APX account: Account ID: 1495 Company Name: Goldchina Consultancy International Co., Ltd. VCS Project ID: 903	03/09/2015	<a href="#">Attestation letter</a>
1836	<a href="#">Poehos II hydroelectric plant project</a>	Energy industries (renewable - / non-renewable sources)	Peru	2,000	CER	Voluntary cancellation on behalf of the CarbonNeutral Company	21/08/2015	<a href="#">Attestation letter</a>
0922	<a href="#">Catalytic N2O Abatement Project in the Tail Gas of the Nitric Acid Plant of the</a>	Chemical industries	Republic of Korea	286,149	CER	CERs to be cancelled in exchange for Korean Offset Credits (KOC), issued by Korean Offset Program to Hanwha Chem. The beneficiary of	17/08/2015	<a href="#">Attestation letter</a>

[https://cdm.unfccc.int/Registry/vc\\_attest/index.html](https://cdm.unfccc.int/Registry/vc_attest/index.html)





Thank you!

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**Questions ?**

