

### Stage 3. Project approval

Full PDD together with the Validation report are submitted to MOEW in Bulgarian and English with a request for project approval. Other necessary documents include Declaration for the legal and financial status of the Project developer, Letter of support from municipality or other institution, other document depending on project type and existing legislation e.g. permits, licenses, etc.). MOEW summons the JI Steering committee meeting, which gives recommendations for issuing or not a Letter of Approval.

Най общо критериите за оценка на проект СИ са:  
- изисквания за правоспособност на фирмата инициатор  
- общи критерии към проекта и документите  
- допълнителни ползи от проекта - екологични, социални, финансови

### Stage 4. Sign Emission Reduction Purchase Agreement (ERPA)

After receiving the official LoA the project developer can negotiate further the conditions of the so-called Emission Reduction Purchase Agreement. MOEW is not officially part of this step but it can advise the Project developer on the price and conditions he can negotiate

### Stage 5. Project implementation and monitoring

The project can then be implemented and monitoring equipment should be installed. If any additional monitoring requirements were identified in the monitoring plan, they need to be carried out as well.

Since ERUs are issued for *actual* project emissions, the project developer must periodically monitor the GHG reductions resulting from the implemented project, according to the monitoring methodology and plan developed for the PDD.

The monitored GHG reductions must be periodically determined and verified by the IE. After verification, the IE provides written certification that the project activity achieved the verified GHG reductions. Following the certification, the JI host government will issue the carbon credits accordingly and transfer them to Buyers country

### Buyers and prices of carbon credits

The buyers of ERUs are most likely to be those companies and countries that are, or will become subject to, emission reduction commitments and have relatively high costs of reducing emissions domestically.

Bulgaria has signed several Memoranda of Understanding for implementation of JI projects with the following countries - Austria, the Netherlands, Denmark, Switzerland and the Prototype carbon fund. Other Memoranda are under negotiations.

Up-to-date information on the price of carbon credits should be obtained from potential buyers, brokers and traders.

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MINISTRY OF ENVIRONMENT AND WATERS

## JOINT IMPLEMENTATION

### How to develop a climate change project and leverage the carbon benefits



Danish Environmental Protection Agency  
Danish Ministry of the Environment



## Background

In 1997, almost 200 countries signed the Kyoto Protocol. A number of things were agreed under the Protocol, but the most important were:

1. Quantitative targets on the greenhouse gas (GHG) emissions in developed countries were agreed to
2. Establishment of the "Kyoto Flexible Mechanisms" to assist developed countries meet these targets and assist developing countries achieve sustainable development

### History

The United Nations Framework Convention on Climate Change (UNFCCC) was first discussed at the Earth Summit in Rio de Janeiro, in 1992. Parties to this Convention (countries) have met every year since then, resulting in a number of decisions, of which the Kyoto Protocol (1997) is the most important. See [www.unfccc.int](http://www.unfccc.int) for more details.

These targets are translated into emission allowances – or "rights to emit".

Developed countries, which have ratified the Kyoto Protocol and accepted their emissions reduction targets, may meet their targets through a combination of domestic climate change activities and the use of the Kyoto Mechanisms.

There are three Kyoto Mechanisms:

- Joint Implementation (JI)
- Clean Development Mechanism (JI)

International Emissions Trading (IET)

Both JI and CDM are "project based mechanisms" and involve developing and implementing projects that reduce GHG emissions overseas, thereby generating carbon credits that can be sold on the carbon market. These projects are known as "climate change projects". This means that a project that reduces GHG emissions can generate an additional income stream for the project in the form of carbon credits.

International emissions trading involves trading in emissions reduction or carbon credits at a country level. So, a country with fewer "rights to emit" than its actual emissions can purchase credits to overcome its shortfall. Alternatively, a country with surplus "rights to emit" can sell them.

The greenhouse GHG covered by the Kyoto Protocol are:

- Carbon dioxide (CO<sub>2</sub>)
- Methane (CH<sub>4</sub>)
- Nitrous Oxide (N<sub>2</sub>O)
- Various fluorinated gases

### Summarising:

Climate change projects are *conventional projects* that can generate an additional income stream through monetising the carbon benefit. However, there are additional project requirements.

## Joint Implementation

Joint Implementation (JI) involves project activities undertaken in developed countries (Annex I). The carbon credits that accrue to a JI project are termed Emission Reductions Units (ERUs) and are issued by the host government.

Emission reductions can be claimed for the first commitment period of the Kyoto Protocol 2008-2012. However, verified emission reductions of JI projects prior to 2008 may be traded, under certain circumstances as Assigned Amount Units (AAUs).

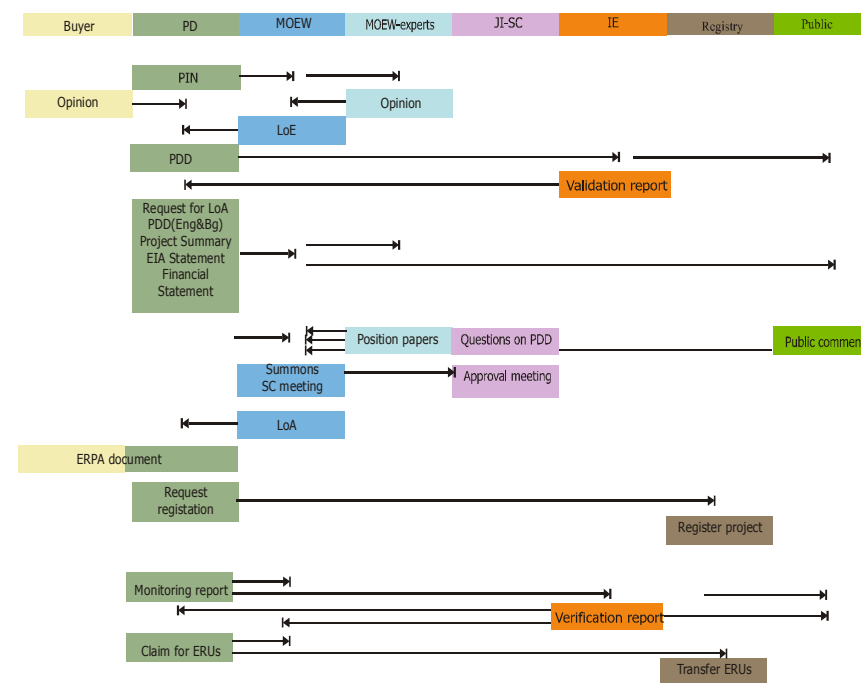
JI projects will follow certain procedures under one of two tracks: Track 1 and Track 2.

Because at present most countries are unable to meet all the eligibility requirements, it is most likely that JI projects will follow Track 2 procedures, which are similar to the procedures established for CDM projects. Therefore, following is an example of the JI project cycle under Track 2.

**Track 1** procedures apply when the host country meets all the eligibility requirements related to the transfer and acquisition of ERUs. In this situation, Annex I host countries are allowed to apply their own procedures for assessing projects' eligibility and additionality. These are expected to be simpler than for Track 2.

**Track 2** procedures apply when the host country does not meet the eligibility requirements. Under Track 2, projects are assessed according to procedures administered by an international regulatory body called the JI 'Supervisory Committee'. These may be similar to the procedures for CDM.

## Joint Implementation Project Cycle in Bulgaria



### Stage 1. Project Identification

Initially a project developer should determine whether there are any opportunities for JI projects within his organization or operations by conducting a portfolio analysis. In addition to that, the project should be *eligible* for carbon credits. There are many eligibility requirements, but the most important are whether or not the project reduces GHGs compared to a situation without the project, the project should be additional - the GHG reduced during the project implementation should be additional to those which will occur without the current project and whether or not the project is located in a country that is

eligible. The Joint Implementation unit in the Ministry of Environment and Waters (MOEW) could give you the answers of those questions.

First of all, it is important to get a feel for the amount of emission reductions accruing from the project. Together with expected market prices for carbon credits, this gives an idea of the extent to which additional financing through JI can contribute to the overall profitability of the project. Alternatively, the developer can estimate the price of the carbon credits that would be required to make the project profitable and compare these to current market prices. The amount of carbon credits accruing from a project is dependent on the scenario that describes what would have happened in absence of the project (the baseline), the project emissions and the size of the project.

### Development of Project idea note (PIN)

Project developer prepares and submits to MOEW Project Idea Note (PIN), which is drafted whether in a format specified by the Buyer or in the PIN template of MOEW. The PIN has to include the following minimum information, in order the project to be evaluated: general information for the project developer, general project information, information on expected GHG emission reductions and environmental impact of the project. The PIN is submitted to MOEW in Bulgarian and English.

Based on the information for the project described in PIN and the received opinion from other experts a decision is taken whether or not to go on with the evaluation of the project. If a positive decision is taken the project is evaluated according certain endorsement criteria and must meet all endorsement requirements. As a result a Letter of Endorsement is issued. In order not to bind the project developer to a specific buyer and impede him from negotiating better terms with another buyer country and to avoid repeating steps 1 through 3 the Letter of Endorsement is issued in principle and the buyer with which the initial negotiations have been made is not mentioned in it.

### Stage 2. Project Design Document (PDD)

Full PDD should include:

- Project summary and description including key project characteristic
- Additionality assessment
- Baseline methodology
- Monitoring plan
- Calculations of GHG emissions by sources
- Environmental impact assessment
- Resume of stakeholders comments

Next stage includes the development of Project Design Document, which includes project additionally assessment, baseline scenario and monitoring plan. PDD should be officially validated by an Independent entity. The total amount of information and documentation to be included in the PDD is as follows: Endorsement from both parties involved – LoE

from Bulgarian party and a Letter of intent from Investor country; additionally assessment – the project results in reductions of GHG that are additional to any that would otherwise occur; baseline study; monitoring plan; analysis on environmental impact assessment – it should be clear if the project would need further an EIA or not, project developer should state and provide all the necessary information on this.

After the PDD has been completed it has to be submitted to the IE for validation. Both PDD and the Validator's report are presented for Stakeholders comments.

The IE should go through all the documentation and check validity of all references, assumptions and information, and where relevant to contact stakeholders and institutions to establish the validity of the information.

### Important note:

*In case the project developer wants to be sure that the project will be approved by Bulgarian government before spending additional financial resources for validation, there is an option that a pre-validation report is requested from the IE. This report will be eligible for issuing LoA, but does not cancel the requirement for an official validation afterwards.*