4. THE PROJECT

4.1 SCOPE OF THE PROJECT

The Project, "Establishment of the Clean Development Mechanism (CDM) National Authority, Operational Framework and Support Systems for the Philippines", seeks to create/establish the Philippine National Authority for CDM, establish the framework within which it shall operate, and assess, develop and implement a capacity building program for the key stakeholders to facilitate its (NA) effective operation.It will also undertake an information,education and communications (IEC) campaign to raise awareness on and promote advocacy for the mechanism.

- **Project Components**

The Project shall cover four (4) specific areas, namely:

I. Establishment of the CDM National Authority
II. Development of the Operational Framework of the National Authority and the National Registry
III. Assessment of the capacity building requirements, development and implementation of capacity building program for key stakeholders in the operation of the National Authority
IV. Advocacy and IEC on CDM

I. Establishment of the CDM National Authority

The Kyoto Protocol requires non-Annex 1 country parties to designate a National Authority which shall endorse to the Executive Board, proposed CDM projects that support national sustainable goals. The legal document creating the National Authority will identify it as the entity responsible for overseeing the process of CDM implementation in the country, including the formal endorsements of CDM proposals to the CDM Executive Board. The output of this scope of work is a legal document defining what the National Authority is, identifying the institution designated as the National Authority, defining its functions and scope of authority. The most expedient path will be chosen. The possible legal options are discussed in greater detail in Section 4.6, "Project Approach and Strategies".

Parallel to the creation of the National Authority is the overarching need to push the ratification of the Kyoto Protocol. Presently, the "Instrument of Ratification" has been endorsed by the Department of Foreign Affairs to the Office of the President and is now with the Senate. This activity will follow through the process until the ratification is completed.

II. Development of the Operational Framework of the NA including the National Registry

The project shall set up an Operational Framework, which will include definition of the legal and administrative requirements and the prescribed systems and procedures for securing the NA endorsement, among others. This component will likewise work for the institutionalization of a system for estimating anthropogenic emissions by sources and removal by sinks of greenhouse gases on an annual basis. This database shall be called the " National CDM Registry" which will provide the core information (GHG emissions) for the Philippines' Annual National Communication to the Conference of Parties. The system shall provide for the maintenance and update of the Registry database which will also include the preferred mitigation options. These options shall be promoted to interested investors for CDM purposes.

Securing the Certified Emissions Reduction (CER) certificate, which is equivalent to the amount of GHG emissions mitigated, requires a validation and monitoring scheme regulated by the Executive Board of the CDM. The validation scheme will require a Project Design Document (PDD) that provides objective evidence that there is indeed a valid GHG emission reduction resulting from the use of the clean technology, which would not happen without the benefit of CDM.

III. **Assessment, Development and Implementation of the Capacity Building Requirements of the NA and other Stakeholders to Implement the CDM Operational Framework**

The project shall undertake an assessment of the capacity building requirements of the NA staff and other key stakeholders. A capacity building program shall be developed and guidelines for its implementation shall be prepared. In this regard, proper coordination shall be made with the other entities undertaking CDM-related activities such as the Climate Change Information Center (CCIC). The implementation of specific programs may be subcontracted to qualified groups such as the CCIC. The NA shall define the goals and targets of the national " Capacity Building Program " which shall be the basis of all capacity building initiatives in the country.

IV. **Advocacy and IEC on CDM**

Corollary to item 3 above, another function that needs to be discharged is the conduct of promotional activities for the various stakeholders of CDM in the country. The objective of this is to enhance awareness on CDM and increase support for its implementation. IEC materials development and advocacy activities shall be undertaken in this component.

4.2 PROJECT JUSTIFICATION

Participation in the Clean Development Mechanism requires a developing country to have in place an operational National Authority, which shall be the official entity to orchestrate the country's participation in CDM, following the criteria established in the Kyoto Protocol. Without the National Authority's approval and endorsement, no CDM project will happen in that country. Based on the outcome of COP7, the Marrakech Accord generated optimism that the Kyoto Protocol will enter into force anytime now. In view of this possibility, the country Parties including the Philippines, which have or are contemplating to ratify the Protocol, need to take immediate action to prepare for the required systems and procedures to allow them to participate in the CDM.

Viewing the CDM as an opportunity to achieve its investment targets for priority sectors like energy, this project is considered by the GoP as a high priority project because it will help put in place, the policy, technical and human infrastructure needed to make the mechanism operational in the Philippines.

4.3 LONG TERM OBJECTIVES

The projects over-all long term objective is the country's achievement of sustainable development goals through sustained economic growth anchored on a healthy and vibrant environment and the reduction of GHG, globally, resulting in the climate change mitigation. Its medium term objective is the alleviation of poverty by enhancing the capacity of certain sectors like energy, agriculture and forestry to increase their contribution to the country's economy through a mechanism like the CDM.

4.4 IMMEDIATE OBJECTIVES

The immediate objectives leading to the overall objective are the following:

1) Immediate Objective One: To secure the official designation of a national government entity (e.g. the IACCC) as the National Authority for CDM.

2) Immediate Objective Two: To formulate the CDM Operational Framework and the design and setting up of the National Registry for GHG Emissions.

3) Immediate Objective Three: To undertake the needed capacity building for the NA and the other stakeholders to enable them to play their roles appropriately in a CDM regime.

4) Immediate Objective Four: To strategically disseminate information on the CDM and the country's CDM Framework to attain broad stakeholders participation in and support for the process.

4.5 PROJECT BENEFICIARIES

The ultimate beneficiary is the global community and the country's general public with greenhouse gases avoided or abated worldwide and the Philippines' sustainable development goal achieved through specific development projects.

The establishment of the CDM process starting with the designation of the National Authority will usher the entry of an emerging global industry spearheaded by the private sector that makes possible the transformation of an environmental concern (GhG mitigation) into investment opportunities in support of the country's sustainable development aspirations. The direct benefit to the national economy may be initially insignificant due to the limited size of business transactions that may result. However, it may be expected that in due time, for as long as the bureaucratic hurdles in the operation of the CDM process are minimized, potential investors will recognize the advantages and benefits of transacting CDM business in the Philippines, resulting to more investments coming in, in the future.

The first line beneficiaries will be the national government agencies who will be involved in implementing the CDM process in the Philippines, as well as, the industries/ private sector and other CDM project proponents who will be the recipients of additional capacity building, new technologies and project funding. The second line beneficiaries shall be the consuming public who are the intended users of the resulting products and services generated by the CDM process. The more competitively priced products and services will make them more affordable and accessible to a greater number of target users.

4.6 PROJECT STRATEGY AND APPROACH

The project will utilize a variety of strategies and approaches to achieve its objectives. Among these are the generation of the necessary policy and legal issuances to institutionalize the operationalization of the CDM in the Philippines. Another is the establishment/ designation of the required mechanisms (e.g. NA) and support systems (e.g. National GHG Registry) and the capacitation of the relevant stakeholders (e.g. concerned NGAs, private sector and other proponents like NGOs).

The National Authority is the focal point for all CDM-related transactions. By the nature of its operation, the NA shall interface with various stakeholders from the different agencies and sectors including among others those from the energy, agriculture, forestry, and industry sectors. The multi-sectoral coverage of the functions of the NA is an important characteristic that must be given priority consideration in its identification. To facilitate immediate establishment of a workable CDM process within the country, the project will work for the immediate designation of a national government entity or network of entities, which will respond to the above concern of multisectoralism, drawing in broad multi-stakeholder support through continuous and extensive consultations.

Based on the initial assessment of competencies of member agencies and institutions of the IACCC versus the requirements of the National Authority given in **Table 1 (Annex 1)** and elaborated in **Table 2 (Annex 2)** and the consultations conducted for purposes of elaborating this proposal, as well as, those conducted on CDM implementation in the country in general, the preponderance is to have the Inter-Agency Committee on Climate Change (IACCC) be officially designated as the National Authority for the Clean Development Mechanism in the immediate or short term, unless a more preferred single agency is identified and eventually designated as such. The major reasons behind this strategy are the following:

1. The CDM process is due to be operational globally anytime soon, simply awaiting the formal entry into force of the Kyoto Protocol. This, therefore, requires the availability of an appropriate government institution, entity or mechanism able to immediately discharge the basic coordination function required under the CDM. The IACCC, while multi-agency and multi-sectoral, has experience doing this, albeit ministerial function of endorsement is delegated to the Chair, the Secretary of the Department of Environment and Natural Resources (DENR).

2. The IACCC, by its composition, is multi-sectoral. It includes the energy and environment agencies among others, which are two of the key players in CDM projects. In Latin American countries, the Department of Environment, in particular, has proven to be a major contender as NA.

3. Due to its multi-sectoral membership, the varied expertise needed in the operation of the NA are mostly available within the IACCC; additional capacity building in specific areas are required but not to the extent needed by a new institution/group if designated as NA.

4. As a result of its existence for about eleven (11) years, the commitment of its member agencies and institutions to its mandate has been established. Interface among them has matured making operational flow fluid. It has established a working system for endorsement and referral of projects, as in the case of projects funded by the Global Environment Facility(GEF).

5. Since the IACCC was created through an Administrative Order, it can tap government resources by virtue of the President's authority.

There are three (3) possible legal paths that can be considered in officially designating the IACCC as the NA. These are:

1. Option 1 - A legal opinion from the Office of the President stating that the present mandate of the IACCC as stipulated in AO No. 220 which created it, covers the functions of the National Authority for CDM;
2. Option 2 – An amendment to AO No. 220 extending the mandate of the IACCC to include the functions of the National Authority for CDM.
3. Option 3 – An official designation of the IACCC by the President as NA.

Considering the urgency of the need to have the National Authority in place, either Option 1 or 3 would be the most expedient and practical path to consider. This would be the basis of the Department of Foreign Affairs to officially inform the CDM Executive Board that the official CDM National Authority in the Philippines is the IACCC.

5. PROJECT IMPLEMENTATION

The following are the activities that shall be carried out in establishing the National Authority for Clean Development Mechanism (CDM) and making it operational in the Philippines. Under each activity is a description of what shall be done.

A1 ESTABLISHMENT OF THE NATIONAL AUTHORITY

Immediate Objective A1: To secure the official designation of the appropriate governmental entity (i.e. the IACCC) as the National Authority for CDM in the Philippines.

Output A1. A Legal Issuance Designating the National Authority for the CDM process in the Philippines.

Notwithstanding the route to be selected based on the further consultations to be undertaken under the project, the projected output under this objective is a Legal Document (e.g. Legal Opinion from the Office of the President stating that the present mandate of the IACCC as stipulated in AO No. 220 extends to cover the functions of the National Authority; or, as necessary, an amendment to the AO No. 220 explicitly stating that the mandate of the IACCC shall be extended to cover the functions and responsibilities of the National Authority or simply a memorandum order from the President designating the NA).

Activity A1.1 Through further consultations with the stakeholders, primarily the IACCC, and legal advice of experts, the preferred legal option for the NA designation will be selected.

As had been mentioned in Section 4.6, there are three possible options in securing the official designation of the most appropriate government entity (i.e. the IACCC) as the CDM National Authority. One is a legal opinion from the Office of the President on the extent of coverage of the existing mandate of the contemplated entity (IACCC). The second is a revision of the Administrative Order to specifically cover the discharge of the additional functions as NA. The third involves the mere issuance of the President of a Memorandum Order to the designated NA for this additional task.

The project will then work through the formal mechanisms and concerned institutions to have the needed legal document issued during the initial phase of the project.

The appropriate and necessary organizational structure to implement the issuance will then be drawn up and institutionalization of the same effected.

A2 DEVELOPMENT OF THE NATIONAL CDM OPERATIONAL FRAMEWORK AND THE NATIONAL CDM REGISTRY

Immediate Objective A2: To enable the optimum and efficient functioning of the NA through the provision of a clear National CDM Operational Framework and a National Registry for GHG Emissions.

Output A2.1. National Authority's Management System

Activity A2.1.1. Review past studies and available literature on the existing policies, legal and administrative requirements governing the entry of new projects/investments, identifying gaps and constraints and providing recommendations to address these, to facilitate entry and implementation of CDM projects.

Activity A2.1.2. Craft new/supplementary policies and legal issuances to address the identified gaps and constraints for the optimum functioning of the CDM process in the Philippines.

Activity A2.1.3. Adopt national sustainable development criteria and indicators for use in the CDM assessment process.

Activity A2.1.4. Develop Systems and Procedures, with clear accountabilities and timeframes within the NA system, to implement CDM efficiently and optimally. A business "process map" may be drawn up to determine the optimal operating system for the NA. **Annex 3** depicts the CDM Project Cycle which could be the starting basis for the NA business map.

Activity A2.1.5. Develop protocols and supplementary tools to implement the systems and procedures.

Activity A2.1.6. Develop the documentary requirements of the NA to enable it to assess the CDM proposal and issue the necessary endorsement to the CDM Executive Board.

Activity A2.1.7. Pilot test the designed management system.

Activity A2.1.8. Prepare and issue the necessary legal and administrative issuances to operationalize the management system.

Output A2.2. National CDM Registry

Activity A2.2.1 Update the country's national and sectoral inventory of greenhouse gases.

Activity A2.2.2 Conduct a national and sectoral analysis of GHG mitigation options.

Activity A2.2.3. Transform mitigation options into project concepts and menu of options from which possible CDM investors can choose from. These options should be matched and harmonized with national and sectoral sustainable development priorities and thrusts.

Activity 2.2.4. Design the National Registry System including data gathering, banking and dissemination protocols, institutional implementation arrangements and soft and hardware requirements, among others.

Activity 2.2.5. Validate the design and emplace the National Registry System.

A3 CAPACITY BUILDING TO OPERATIONALIZE THE "CDM OPERATIONAL FRAMEWORK"

Immediate Objective A.3 To capacitate the various CDM stakeholders, particularly the NA through a comprehensive capacity building programme.

Output A3.1. Capacitated CDM Stakeholders, particularly the concerned offices within the National Authority.

Activity 3.1.1 Assess the existing/required manpower complement of concerned offices within the NA to enable it to function efficiently and effectively.

Activity 3.1.2. Work out augmentation of manpower complement of the NA, including additional budget for operations.

Activity 3.1.3 Assess capacities/competencies of the various stakeholders, particularly the NA, to implement CDM, primarily through a training needs assessment.

Activity 3.1.4 Based on the identified competency gap/lack, draw up a comprehensive training and capacity building programme for the stakeholders.

Activity 3.1.5. Conduct trainors training on the various aspects of CDM implementation.

Activity 3.1.6. Develop training materials on CDM.

Activity 3.1.7. Conduct echo seminars and training on CDM.

A4 ADVOCACY AND IEC ON THE CDM

Immediate Objective 4.1 To enhance awareness on and increase support for the implementation of CDM in the country.

Output 4.1. Most appropriate mechanism/entities to discharge promotional functions on CDM.

Activity 4.1.1 Assess existing capacity, mandate(s) and structure of existing entities (e.g. IACCC member agencies, CCIC, other private sector entities like the Chambers, private sector NGOs) to undertake promotional activities for CDM purposes.

Activity 4.1.2. Select the most appropriate entity or mechanism (may be a network of entities) to conduct promotional activities for CDM.

Activity 4.1.3. Work out formal collaboration, linkages and mechanics for systematic access to updated information (if promotional entity is different from the NA) and free flow to the private sector and other proponents.

Output 4.2 A general public and stakeholders (particularly the private sector) with a heightened awareness on the benefits, pitfalls and opportunities of the CDM process.

Activity 4.2.1. Formulate IEC plan on the strategic dissemination of CDM information.

Activity 4.2.2. Prepare proto-type, test and mass produce IEC materials on CDM for widespread and strategic dissemination.

Activity 4.2.3. Conduct other IEC/advocacy activities like seminar-workshops, focused group discussions,etc...

The Project Implementation Work Plan showing the timetable for the implementation of the above activities is given in ***Annex 4.***

6. PROJECT ORGANIZATION AND MANAGEMENT

The Department of Environment and Natural Resources (DENR), through the Environmental Management Bureau that serves as Secretariat to the IACCC, will be the executing agency and shall be responsible for the overall management of the project on a day-to-day basis. The IACCC Secretariat shall designate a Project Manager, two (2) regular technical staff and one (1) administrative staff of EMB to assist in the project implementation on a part time basis. These personnel shall serve as the government counterpart staff to the project. The IACCC Secretariat will ensure proper coordination and liaison between the Project and the UNDP, the Netherlands government and other national government departments and agencies and non-governmental institutions with which cooperation is needed for the efficient and successful operation and implementation of the project. Likewise, UNDP shall provide overall management and technical advice to the project.

To ensure continuity of the project implementation and provision of full-time staff, the project will hire one (1) Project Coordinator who shall be tasked to coordinate the activities of the project staff and consultants, two (2) technical assistants, one (1) finance officer and one (1) administrative staff. The staff to be hired shall form part of a Project Management Office (PMO) directly under the guidance of the Project Manager-IACCC Secretariat (EMB). Various sub-contracts are likewise lined-up. These would require the services of consulting firms/consultants to undertake specific tasks. The services of expatriate consultants may be required since there is limited local experience in this new field, at present. The Terms of Reference (TOR) of each of the project staff and sub-contract is given as ***Annex 5.***

An organizational chart showing the overall project organization and management is presented as ***Annex 6.***

7. BUDGET

The total contribution being requested from the Netherlands Government, through the UNDP is US$ 1.0 M. The government contribution, on the other hand, which is in-kind from the IACCC members and the DENR-EMB, is about PhP 2.38 M. Details of the Dutch contribution per UNDP Component Budget Line is presented in ***Annex 7*** including the breakdown of GoP counterpart.

8. RISKS AND CONDITIONS

A potential problem analysis identified the following vulnerable areas of the project:

- Delay in the Ratification of the Kyoto Protocol
- Delay in the Creation of the National Authority resulting from the current administration's priority for 2004 election-related preparatory activities.

Preventive measures are identified to address the vulnerable areas that are controllable.

One of the major concerns of the project is the possible delay in the official designation of the IACCC as the NA, which may push the project duration within the vicinity of the 2004 election period. However, all components can proceed even while the NA designation is being worked out, except completion of the capacity building which would obviously involve primarily the NA.

A vulnerable area beyond the control of the project is the ratification of the Kyoto Protocol. The IACCC is closely monitoring the ratification process and would provide a very significant lobbying force, especially when awareness on CDM opportunities needs to be brought to the attention of the decision makers in the Legislative and Executive Bodies of government.

9. MONITORING, EVALUATION AND REPORTING

The EMB, acting as the IACCC Secretariat, will be the agency responsible for the implementation monitoring and evaluation of all the activities throughout the duration of the Technical Assistance. It shall also be responsible for reporting the results of the monitoring and evaluation to the UNDP. The UNDP, on the other hand will provide a copy of these reports to the Netherlands Government through its Embassy in Manila.

A detailed annual and quarterly work and financial plan shall be prepared by the EMB, indicating the activities targeted to be implemented for the said period and will serve as the basis for evaluating the progress of the project activities. The work and financial plan shall be reviewed and revised whenever necessary in consultation with the UNDP.

9.1 Reporting

In accordance with the UNDP procedures, the designated Project Coordinator shall prepare an updated Annual Progress Report (APR) every six (6) months and will serve as an input to the Tripartite Project Review (TPR) to be held every end of the year of implementation. The semi-annual progress report will be based on the approved work plan and the quarterly progress and financial reports prepared separately and submitted to the UNDP. The TPR will be participated by representatives from the UNDP, DENR, members of the IACCC, private sector and the Netherlands Government. Supplementary meetings may be convened as the need arises.

The project Terminal Report will also be prepared by the IACCC Secretariat. It will be reviewed during the final TPR and final evaluation meeting. A draft terminal report shall be prepared in advance to allow for the review and technical clearance from the UNDP and the Project Steering Committee, at least three (3) months in advance prior to the terminal meeting of the TPR of the project. The terms of reference of review and evaluation shall be submitted by the UNDP to the Netherlands Government, through its Embassy, for review and approval.

9.2 Impact Monitoring and Evaluation

A measure of effectiveness of the project is the number of Project Design Documents (a documentation requirement by the CDM) that are being prepared for submission to the National Authority. Another measure of effectiveness is the number of inquiries from potential investors in CDM projects or buyers of CER certificates.

10. ACTIONS TO BE TAKEN PRIOR TO THE START OF THE PROJECT

There are certain prerequisites that have to be undertaken prior to the start of the project. They are:

- Identification of seconded personnel, office and office facilities and other operational support needed by the National Authority.
- Identification of Consultancy Firm(s) for activities to be subcontracted.

The IACCC will be responsible for undertaking the above prerequisites.

ANNEX 1

Table 1. Existing IACCC Competency vs. Competency Requirements of the National Authority

National Authority Functions	Competency Requirements	IACCC Member Agency/ Institution	IACCC Member Agency Competency	Competency Gap
1. Evaluation and Approval of CDM Proposals				
1.1. Review of Key International Criteria				
a. Eligibility of Project Type ▪ Consistency with UNFCCC Decisions	▪ Understanding of criteria defined in Bonn, Marrakech, & those forthcoming from the Executive Board	Department of Environmental and Natural Resources	▪ Participates as part of Philippine delegation in COP meetings and is fully aware of related decisions and developments	None
b. Additionality ▪ Review of quantitative baseline assessment ▪ Review of qualitative description & justification of baseline scenario	▪ Expertise in the technical review of emissions in the baseline and alternative scenarios	Department of Environmental and Natural Resources Department of Energy Department of Science and Technology	▪ Reviews Environmental Impact Assessment Applications ▪ Establishes Environmental Standards ▪ Prepares the Philippine Energy Plan with projections on future energy supply mix ▪ Does technology assessment of energy projects	May require capacity enhancement in actual preparation and analysis of baseline and alternative scenarios
c. Measurability ▪ Review of quantification of impacts of project intervention on carbon stock and flows (difference between baseline & alternative scenarios)	▪ Environmental Impact Assessment Expertise	Department of Environmental and Natural Resources	▪ Monitors projects with approved ECC, EIS ▪ Has mature database on pollution load to environment	None

National Authority Functions	Competency Requirements	IACCC Member Agency/ Institution	IACCC Member Agency Competency	Competency Gap
		Department of Energy	▪ Prepares EIS of energy projects ▪ Performs technical performance evaluation of renewable energy and energy efficiency projects	None
▪ Review of projections on carbon stocks and flows & accounting principles for quantification of emissions reductions and carbon offsets generated & accumulated over the project life ▪ Review of accounting provisions for dealing with permanence and reversibility of project interventions	▪ Financial review of baseline and alternative scenario assumptions	Department of Energy	▪ Has technical knowledge of renewable energy and energy efficiency technologies ▪ Has database of macro energy consumption of various sectors	May need capacity enhancement on the whole range of NRE options
		National Economic and Development Authority	▪ Conducts macro-economic and project specific studies ▪ Has database for sectoral assumptions used in macro-economic planning and sensitivity	
d. Externalities ▪ Review of provision for the management of leakage	▪ Expertise in assessment of consumer behavior in rural electrification projects	Department of Energy	▪ Actively involved in implementation of rural electrification project analysis	May need capacity enhancement on actual project assessment
National Authority Functions	Competency Requirements	IACCC Member Agency/ Institution	IACCC Member Agency Competency	Competency Gap

▪ Review of provision for the management of risks related to carbon stocks and flows	▪ Financial expertise for assessing the financial viability of proposed CDM Projects		▪ Does financial evaluation of projects on case-to-case basis	May need capacity enhancement on financial evaluation in context of climate change
e. Securing Carbon Benefits ▪ Review of Monitoring Plan ▪ Review of provisions in the Monitoring Plan for preparing & facilitating periodic verification & final certification of emissions reductions	▪ Technical expertise in meteorology/ instrumentation	Department of Environment and Natural Resources Department of Energy	▪ Monitors projects with approved ECC, EIS ▪ Conducts energy audits	None
1.2. Review of CDM proposals based on National Criteria	▪ Knowledge of relevant development priorities ▪ Legal and regulatory expertise	Department of Environment and Natural Resources Department of Energy Department of Trade and Industry National Economic and Development Authority	▪ Enforces environmental laws and regulations ▪ Assists in formulation and enforcement of energy related laws and regulations ▪ Provides incentives to investments ▪ Regulates business/ project enterprises ▪ Identifies National development priorities	None

National Authority Functions	Competency Requirements	IACCC Member Agency/ Institution	IACCC Member Agency Competency	Competency Gap
2. Tracking and Reporting				
2.1. Development & submission of annual report on national CDM activities to the UNFCCC Secretariat	▪ Information and data tracking system for CDM activities (i.e. registering & tracking the holding and transfer of CERs)	Department of Environment and Natural Resources	▪ As co-chair of the IACCC, it is capable of undertaking this task with the support of the committee members	None
3. Optional functions				
3.1. Capacity Building for CDM Project Development[1]				
3.2. Marketing CDM Projects	▪ The marketing of CDM projects by the NA shall mainly be through the web-based listing of projects that have been included in the National Registry. However, some of the members of the IACCC by virtue of their mandates are in the best position to promote the opportunities for CDM investment in the Philippines to the local and international market. Specifically, these agencies are the DFA and the DTI. The ability to help promote CDM investments in the Philippines is a natural consequence of their mandate and daily operations	Department of Trade and Industry Department of Foreign Affairs	▪ Has links with local and international business community looking for opportunities for investment in the Philippines ▪ Has international link with the network of embassies ▪ Commercial attaches/consuls are linked to business/ commercial networks of each country	Needs capacity building in the context of CDM marketing

[1] The National Authority shall coordinate the national capacity building program for CDM. It may implement capacity building programs or engage the services of qualified external groups like the Climate Change Information Center (CCIC).

ANNEX 2

Table 2
COMPETENCY REQUIREMENTS OF THE NATIONAL AUTHORITY

1.0 Educational Background of Staff

Graduates of Engineering, Economics, Physics, Chemistry or Forestry are preferred for Project Design Document Evaluators.

2.0 Knowledge and experience in assessing CDM Technologies

The knowledge and experience identified in the following fields are needed to understand the technical merits of potential proposals that will be submitted to the National Authority. The PDD evaluator must have sufficient training or experience in the fields below to give a credible assessment of the PDD based on the National and International Criteria:

- Renewable energy technologies particularly those that are commercially ready. Examples are solar water heaters, photovoltaics, micro/minihydro, wind turbines, biomass technologies such as biogas, and alternative fuels or fuel substitutes such as cocodiesel and alcodiesel.

- Energy conservation and Energy Efficiency technologies such as, waste heat recovery, combustion efficiency add-ons, high efficiency burners, co-generation technology packages, demand side efficiency programs such as use of capacitor banks, variable flow control of airconditioning units, use of efficient lighting luminaries, use of suitable lighting reflectors and others.

- Forest Management, Agriculture and related fields of endeavor

3.0 Knowledge of Government Plans and Programs

The role of the National Authority in CDM Project Cycle shown in **Annex 3** is to determine if the CDM Project falls within the National Criteria. The National Criteria will require that the CDM Proposal be aligned to the government's Plans and Programs for sustainable development. It is therefore a MUST that the PDD Evaluator should be familiar with the Plans and Programs of the Government and should know who in the appropriate agency must be consulted for more details of specific plans/programs that are relevant to the PDD being reviewed.

4.0 Competency in reviewing the baseline of the PDD

One of the possible functions of the National Authority* is to promote CDM projects to investors and buyers of Certified Emissions Reductions (CERs) credits. After checking if the proposed project is within the National Criteria, the next task is to review the technical aspects of the PDD particularly the baseline and project assumptions. While it is the task of the Designated Operating Entity to validate related assumptions used, the National Authority reviewer must also be technically knowledgeable to determine the acceptability of the assumptions used in order to establish its credibility to the proponents. It must be emphasized, however, that the National Authority must aim to quickly pass on the PDD review to the DOE who shall do the detailed technical validation.

Key to discern the good projects from the bad is the ability to determine the acceptability of the assumptions used in establishing the PDD's Baseline. The review must look into hidden risks inherent in the assumptions and the range of uncertainties of the figures used in the parameters of the baseline. This competency can be acquired through training and guidance from an experienced practitioner. What can be imparted in training would be the standard methodologies used which are basically combustion equations, typical values of power plant efficiencies and heating values of different fuels. This may also include knowledge of Conventional Combustion Technologies such as boilers, furnaces, dryers, kilns, internal combustion engines and others.

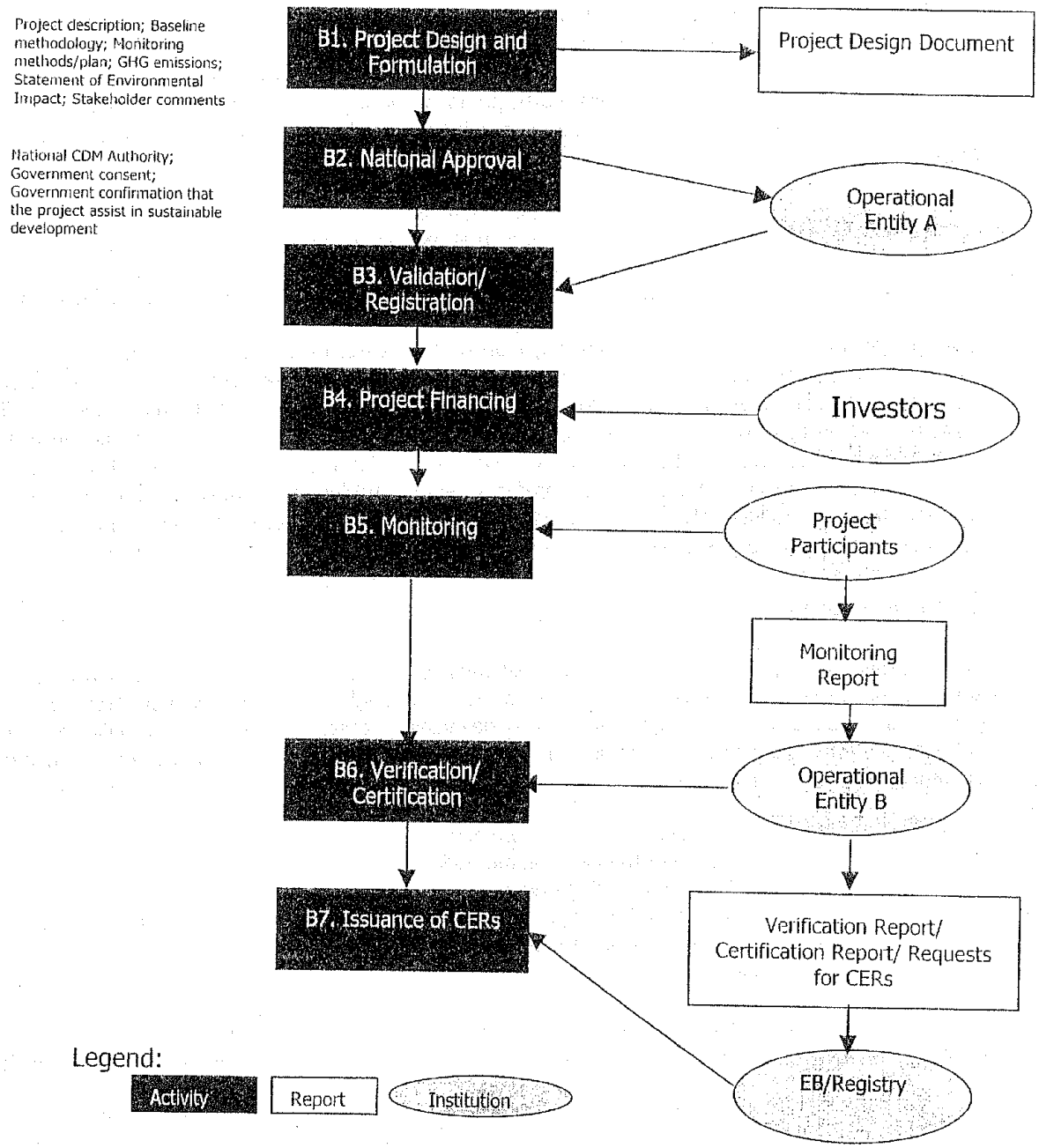
There are however, certain aspects of the competency requirement that cannot be acquired through training, such as defining the system boundary of the baseline, identifying leakages, and identifying key data sources that would clarify the boundary of the baseline and reduce the uncertainties of assumptions used in the baseline. These can only be acquired through actual practice and experience in developing the baseline from one project to another. These project characteristics are most of the time unique to the project by virtue of the technology, the local environment, the location, the local culture and practices, and the seasonality of certain baseline parameters, etc.

5.0 Competency in Project Feasibility Studies

The National Authority must have the capability to discern the feasibility of the proposed CDM Project considering the assumption that the project will remain viable throughout the crediting period during which the CERs will be sold. This capability will be based on competencies needed in making project feasibility studies. This will include among others financial/economic computations, sensitivity analysis, risk analysis, project management and management systems audit and other methodologies related to project design and feasibility analysis.

*Could be an entity outside the NA

ANNEX 3
CDM Project Cycle



The CDM project cycle shown on above has seven basic stages namely: project design and formulation, national approval, validation and registration, project finance, monitoring, verification/certification and issuance of CERs. The first four are performed prior to project implementation while the latter three are performed during the lifetime of the project.

B1 Project Identification and Formulation

The first step in the CDM project cycle is the identification and formulation of potential CDM projects. A CDM project must be real, measurable and additional. To establish additionality, the project emissions must be compared to the emissions of reasonable reference case, identified as the baseline. The baseline is established by the project participants according to approved methodologies on a project-specific basis. The baseline methodologies are being developed based on the three approaches in the Marrakech Accord:

- Existing actual or historical emissions;
- Emissions from a technology that represents an economically attractive investment; or,
- The average emissions of similar projects undertaken in the previous years under similar circumstances and whose performance is among the top 20% of their category.

CDM projects must also have a monitoring plan to collect accurate emission data. The monitoring plan, which constitutes the basis of future verification, should provide confidence that the emission reductions and other project objectives are being achieved and should be able to monitor the risks inherent to baseline and project emissions. The monitoring plan can be established either by the project developer, or by a specialized agent. The baseline and monitoring plan must be devised according to an approved methodology. If the project participants prefer a new methodology, it must be authorized and registered by the Executive Board. The project participants must choose whether the crediting period shall be 10 years or 7 years with a possibility to be renewed two times (a maximum of 21 years).

B2 National Approval

All countries wishing to participate in the CDM must designate a National CDM Authority to evaluate and approve the projects, and serve as point of contact. Although the international process has given general guidelines on baselines and additionality, each developing country has the responsibility to determine the national criteria for approval. Together with the investor, the host country must prepare a project design document with the following structure:

- General description of the project;
- Description of the baseline methodology;
- Timeline and crediting period;
- Monitoring methodology and plan; Calculation of GHG emissions by sources;
- Statement of environmental impacts;
- Stakeholder comments

The National Authority issues the necessary statements: that the government participates voluntarily in the project and confirms that the project activity assists the host country in achieving sustainable development.

Figure A3-1 below shows the process of reviewing the PDD to determine if it is within the national criteria.

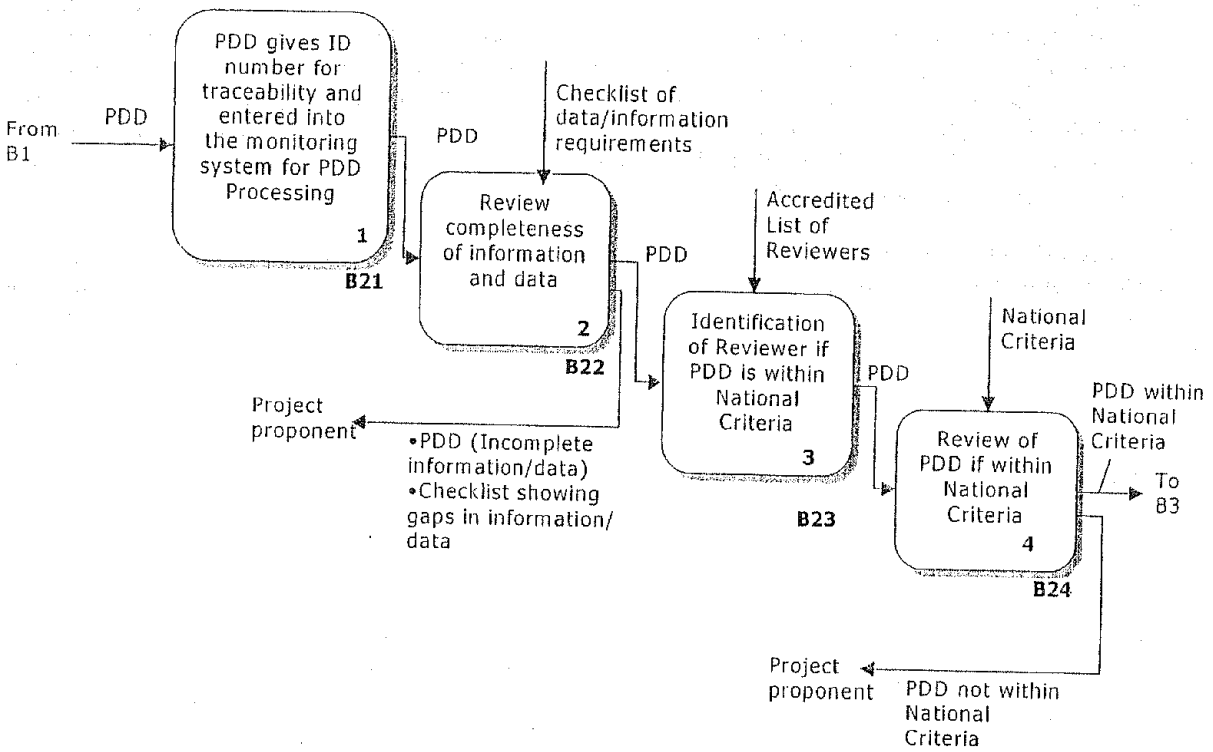


Figure A3-1. National Approval Process

Upon receipt of the Project Design Document the National Authority shall review the completeness of the data and information and the project's alignment with the national criteria. Any gaps in the information or data requirement will be identified and brought to the attention of the project proponent. A "Checlkist of information and data requirements for PDD Applications" will aid the review. The accomplished checklist will be used to document the gaps in information and data needed to process further the PDD Application. The checklist, which will be given a unique identification number, will identify the person who made the review. This identification number will be used for tracking the status of the application. This system will facilitate providing responses to queries from project proponents on the status of their applications. The National Authority shall establish a monitoring system that will track the duration and status of processing of applications as a way to review the efficiency of application processing and a means to prevent unnecessary or unintended delays in processing.

For those applications that are complete in information and data requirements, the National Authority shall identify the "Reviewer" who will be responsible for determining if the application is within the National Criteria. The Reviewer shall be chosen only from an "Accredited List of Reviewers for the CDM National Criteria". Accredited Reviewers must undergo orientation and training on Clean Development Mechanism and the National Criteria for CDM. The National Authority shall define other Qualification Requirements relevant to establish a competent and independent review process. This may include educational attainment, job experiences in selected fields relevant to CDM technologies, background review of the candidate and others. The National Authority shall assure that the review process will be independent and impartial. This can be done by giving code numbers to the Reviewers so that the reviewer's name is not declared while still being able to trace the identity of the reviewer in the records and in the Application Monitoring System. A "Maximum Period for Review" shall be defined by the National Authority so as to control the processing time of applications. Reviewers who fail to meet the deadline shall be rated "unsatisfactory". This status shall be recorded in the "Accredited List of Reviewers for the CDM National Criteria". Reviewers with "unsatisfactory" ratings shall only be used when no other reviewer is available. Reviewers thrice rated "unsatisfactory" shall be delisted from the accredited list and shall be registered in the "List of Delisted Reviewers".

All applications submitted to the National Authority and their corresponding records of review (from the review of information and data requirements to the review against the National Criteria shall be open to the public. This can be done by through a website where the records can be accessed or through a physical archive where interested parties can visit and look through the file folders. Only the pending applications will be shown in the website. Those Applications that have been terminated or completed can be accessed upon request whether electronically or by mail. The "Application Monitoring Scheme" shall be in electronic form and shall be part of the website of the National Authority.

Those PDD Applications satisfying the National Criteria shall be registered in the "Register of Project Design Documents that Meet the National Criteria". This list shall also be a part of the website of the National Authority.

ANNEX 4

PROJECT IMPLEMENTATION WORK PLAN								
ACTIVITIES	**Year 1**				**Year 2**			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
A1 Creation of the National Authority Consultations with stakeholders Selection of Preferred Option for NA (Legal) And Issuance of Legal Document								
A2 Formulation of the National CDM Operational Framework and the National Registry of GHG Emissions A21 National Authority's Management System A22 National Registry of GhG Emissions								
A3 Capacity Building to Operationalize the "CDM Operational Framework" A31 Capacitated CDM Stakeholders, particularly the NA Development of Training Program for the NA and representative IACCC members Implementation of Training Program Attaining Broad Stakeholder Participation Assessment of Political Environment & Capacity Building requirements of Key Stakeholders Review the Legal Framework Development of Capability Building Program Key Stakeholders Establishment and Operation of the "National CDM Operational Framework"								
A4 Advocacy and IEC on the CDM A41 Most Appropriate mechanism for promo activities A42 Heightened awareness								