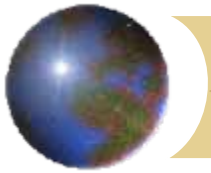


Additionality
What is it?
How to deal with it?

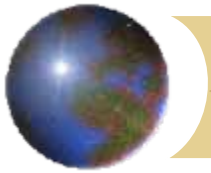
Lex de Jonge

Ministry of Housing, Spatial Planning and the
Environment (VROM)



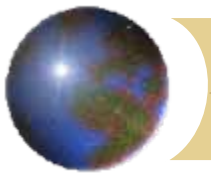
History

- Marrakech Accords: project is additional if greenhouse gas emissions are reduced below level that would have occurred in the absence of CDM project
- Differing interpretations:
 - emissions lower than historical emissions → project is additional (environmental additionality)
 - Only non-viable projects becoming viable because of CDM income are additional (financial additionality)
- Debate was affecting integrity of CDM and hampering the process → Dutch proposal



Dutch proposal

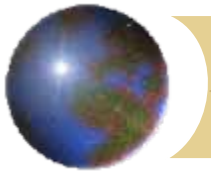
- Demonstrate that it is not likely that CDM project would have been implemented without CDM revenues:
 - Demonstrate that at least one alternative would have been financially more attractive,
 - or
 - Demonstrate that CDM project faces serious hurdles or barriers
- Also demonstrate that CDM project is not common practice



Additionality Tool (1)

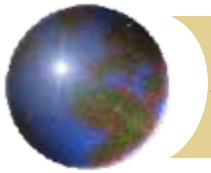
- Step 1: identify credible alternatives, consistent with mandatory laws & regulations
- Step 2: (investment analysis):
 - compare CDM project to credible alternatives (without CDM revenues), or to suitable benchmark
 - if CDM project is not most cost attractive it may be additional
- Step 3 (barrier analysis):
 - is alternative to step 2
 - describe credible barriers to CDM project
 - If at least one alternative is not prevented by barriers, CDM project may be additional





Additionality Tool (2)

- Step 4 (common practice test):
 - Check whether CDM project has not been implemented – without CDM support – on a large scale
 - If not implemented on large scale: project is additional
 - If barriers are claimed, explain how CDM helps to alleviate the barriers



Additionality Tool (3)

- Critical elements:
 - How to make investment analysis or calculate IRR (internal rate of return)
 - How to find suitable benchmark for IRR
 - How to demonstrate credibility of barriers
 - Don't exaggerate by claiming many types of barriers