

FREQUENTLY ASKED QUESTIONS ABOUT THE CDM FACILITY

1. What is the objective of the CDM Facility?

The CDM Facility was established in August 2003 to assist Developing Member Countries (DMCs) to access new development opportunities made possible through the Clean Development Mechanism (CDM).

Its main objectives are to:

- Promote projects that contribute to poverty reduction, sustainable development, and greenhouse gas (GHG) mitigation;
- Lower CDM transaction costs by supporting CDM project identification, development, registration, and implementation;
- Help find competitive prices for Emission Reductions (ERs), or carbon credits, arising from projects;
- Facilitate access to underlying-finance by improving project viability.

2. What can the CDM Facility offer project developers?

The CDM Facility provides the following services and resources for projects in ADB's proposed loan and technical assistance portfolio:

- Identification of CDM opportunities, and development of Project Idea/Concept Notes;
- Development of CDM documentation, including Project Design Document and new methodologies (if required);
- Arrangement of validation/verification;
- Facilitation of Host Country approval;
- Identification of potential buyers of carbon credits;
- Assistance in the negotiation of Emission Reduction Purchase Agreement (ERPA);
- Local CDM capacity building.

3. What can the CDM Facility offer DMC Governments?

The CDM Facility assists the efforts of DMC Governments in addressing global climate change issues and sustainable development goals.

DMCs can benefit from the following:

- The CDM facility covers upfront transaction costs, and only recovers them if a project is successful in securing an ERPA, making the process risk-free;
- Transaction costs are kept relatively low because CDM activities are streamlined into ADB's conventional project identification and development cycle, and costs are capped at direct expenses only;
- The CDM Facility provides assistance along every step of the CDM cycle until the project is successfully registered with the CDM Executive Board;
- The opportunity to explore offers from multiple buyers;
- Provision of targeted capacity building.

4. What can the CDM Facility offer carbon buyers?

Carbon buyers benefit from the CDM Facility through the following:

- If a CDM Facility project is also successful in securing an ADB loan, then buyers have access to projects with secure underlying finance;
- Access to projects with lower project risk since ADB-financed projects are compliant with social and environmental safeguard policies. They are also assured that these projects are subject to ongoing monitoring;
- Access to Certified Emission Reductions (CERs) from projects in time for the first commitment period (2008-2012)
- Lower transaction costs since CDM activities are undertaken simultaneously with project due-diligence
- Reduction of risk in obtaining host country approval since ADB has existing relationships with host country governments

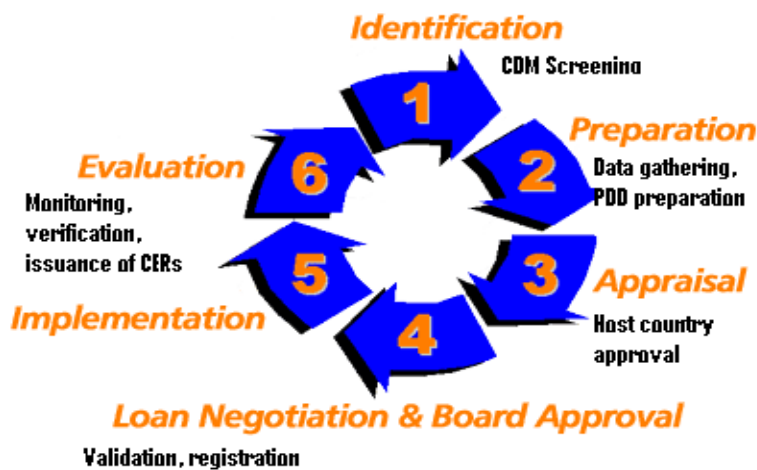
5. What types of projects are handled by the CDM Facility?

The CDM Facility works with ADB projects with both sustainable development benefits and GHG mitigation. These include:

- Renewable energy,
- Energy efficiency,
- Sustainable agriculture, and
- Forestry.

6. How is CDM integrated into the ADB Project Cycle?

The various CDM activities are incorporated into each step of ADB's conventional project cycle. By "blending in" CDM tasks into regular project development/implementation procedures, CDM-related transaction costs can be significantly reduced, and projects will be ready to enter the carbon market without much delay.



7. What is the funding source of the CDM Facility?

The CDM Facility has a three-year pilot phase. For this period, funds are provided from ADB's capital resources, and recovered on a direct-cost basis (see #9 below).

8. What are the estimated costs of developing a project with the CDM Facility?

The CDM Facility will initially shoulder the upfront transaction costs. These include costs for CDM due diligence, regulatory and documentation requirements until the project has been registered and validated. For the first few selected projects, transaction costs will be capped at US\$ 100,000.

9. How will the CDM Facility recover costs?

The CDM Facility's seed fund operates on a cost-recovery basis where direct costs incurred would only be recovered after an emission reduction purchase agreement (ERPA) has been secured.

10. Where can I contact for further information?

Queries and concerns may be addressed to:

Clean Development Mechanism Facility
Finance and Infrastructure Division
Regional and Sustainable Development Department
Telephone: +63 2 632 6347; Fax +63 2 636 2198
Email: adbcdm@adb.org

RELEVANT LINKS

For general information on climate change, CDM, UNFCCC, Kyoto Protocol and other related issues and topics, please visit the following websites:

United Nations Framework Convention on Climate Change <http://unfccc.int>

Clean Development Mechanism <http://cdm.unfccc.int/>

Point Carbon www.pointcarbon.com

World Bank Carbon Finance www.carbonfinance.org

International Emissions Trading Association www.ieta.org