



# Bundling of Small Scale CDM projects

# Why promote SSC CDM projects?

- Potential of SSC CDM projects is high.
- SSC projects contribute to sustainable development, esp. its social dimension, much more effectively compared to large projects.
- Geographical Distribution and Equity

# Problems for SSC CDM projects

- Project developers find it difficult to benefit from SSC CDM projects because:
  - Small size of individual projects unattractive due to low offsets
  - More risky investments
  - High transaction costs
  - Low sales realization in carbon market
  - CER sale prices are low

# Simplified Modalities & Procedures for SSC projects

- Simplified Methodologies;
- Single DOE for validation and verification;
- Simplified PDD;
- Leakage accounting;
- Environmental impacts;
- Administrative levy halved;
- Bundling small-scale CDM projects.

# Bundling as an option

- In the CDM context, Bundling broadly refers to aggregating two or more projects as to make a single portfolio.
- Bundling has been recognized by EB as a permissible option for small-scale projects.
- The CERs from the bundle can be aggregated for sale purposes, making it an attractive option for the prospective CER buyers, besides reducing transaction costs.

# Findings from study on Bundling of Small-scale CDM projects

- Although transaction costs of bundled projects are likely to be higher than those for a single project, they may be lower than overall transaction costs of individual projects.
- The bundling organization is also likely to face increased risk since it has little control over the success of these projects, and ultimately the emission reductions from each.
- Some small projects, when bundled in large numbers, may cross the small-scale activity threshold.

# Legal issues in Bundling

- Devising a suitable legal structure for the transaction
- Exclusivity of ownership of CER
- Contractual framework
  - Sale to bundler
  - Sale by bundler
- Reduction of legal costs

# What can be bundled?

- Virtually any type and combination of small-scale CDM projects can be selected for bundling, so long the bundle meets the small-scale size criteria.
- There are no restrictions related to technology or category of the projects, or on the stage of implementation of the projects for bundling.
- The criteria for bundling could be
  - (a) multi-technology projects;
  - (b) Single technology, multi-location; and
  - (c) project where Overall Monitoring plan can be prepared.

# General bundling principles

- Should be indicated when requesting registration.
- Once project activity is part of a bundle for a particular project cycle stage, it cannot be “de-bundled” for that stage.
- Bundle composition cannot change over time.
- Activities bundle cannot be taken out or added after registration.

# General bundling principles

- Same crediting period for all activities.
- Should be demonstrated that bundle will remain under the limit for that type, every year during the crediting period.
- If bundle goes beyond its limits, maximum claimable ERs is capped at level for that type
  - That is, excess ERs generated will not be eligible.

# SSC bundles, SSC limits

- Type I: Maximum output capacity of 15 MW (or an appropriate equivalent);
- Type II: Maximum output of 60 GWh per year (or an appropriate equivalent);
- Type III: emission reductions of less than or equal to 60 kt CO<sub>2</sub> equivalent annually.

# Debundling

- “Debundling” is defined as the fragmentation of a large project into smaller parts within the range of SSC CDM projects to attain benefits reserved for these.
- Debundling as a rule is not permitted by the UNFCCC to avoid anyone taking the advantage of the CDM’s fast-track & cost-effective scheme for SSC CDM projects.

# Debundling Test

With the same project participants

In the same project category and technology/measure

Any proposed ssc activity can be deemed as eligible for being debundled from a large project if it is:

Registered within the previous 2 years

having project boundary within 1 km of the project boundary of the proposed ssc project at the closest point

# Who can be the Bundlers?

- **Project Developers:**

Different projects, with same or different baselines, can be aggregated by the project developer itself, the direct owner and beneficiary from the cash inflows accruing from the carbon credits generated by the projects

- *Example: Energy Efficiency in Office Buildings*

A large software company, installing energy-efficient lighting and cooling measures in its various offices across the country.

Individually, each project is too small, but when aggregated, the bundle attains a reasonable size for claiming carbon credits.

# Who can be the Bundlers?

- **Project Consultants:**

Project developers are advised by project consultants to design, build and operate projects that generate carbon credits

- **Example: Tiny energy efficiency projects**

For example, in India, a project consulting company, which is conducting energy audits and advising several diamond-cutting units on use of energy-efficient motors could bundle each of the projects – often installations of under 5 motors each.

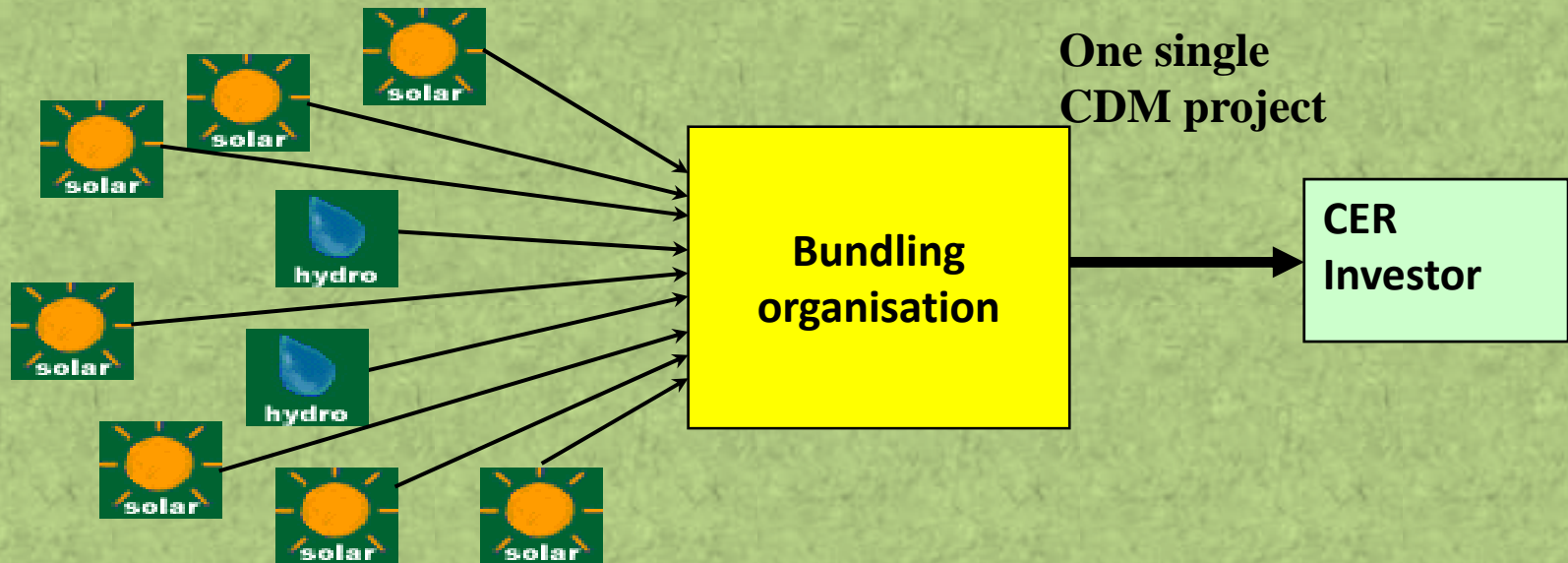
# Who else can be the Bundlers?

Other bundlers could include:

- Energy Service Companies (ESCO)
- Suppliers of Equipment
- Industry Associations
- Banks and Financiers
- Buyers of CER

# Bundling Organisation

Multiple  
greenhouse gas  
reducing projects



# Case Study 1

## Biomass Bundled Project

Project bundled	: 5 Biomass Gasifiers
Capacity	: 1 MW each
State	: Tamil Nadu
Baseline	: Regional Grid mix
CERs expected	: Approx. 25,000 tCO <sub>2</sub> eq/ Year
Crediting Period	: 2006-2015, 10 years
Project Developer	: Southern Green Power Pvt. Ltd
Internal rate of return:	
With CDM Project	: 15.6 %
Without CDM project:	13%

# Case Study 2

## Solar Bundled project

Project bundled	: Solar Home System and Solar Lantern
Capacity	: 15000 SHS And 5000 Solar lanterns
State	: West Bengal
Baseline	: Kerosene lamps
CERs expected	: Approx 2100 tCO <sub>2</sub> eqtCO <sub>2</sub> eq/ Year
Crediting Period	: 2001 to 2010 (10 years)
Project Developer	: Market Dynamics Pvt. Ltd.
Internal rate of return:	
With CDM Project	: 30.27%
Without CDM project:	29.35 %

Thank You