

Clean Development Mechanism in China

Sponsored by Department of Climate Change, National Development and Reform Commission

Current Location :Most Recommended

Measures for Operation and Management of Clean Development Mechanism Projects in China /68/

I. General Provisions

Article 1 This measures is formulated in accordance with the provisions of the United Nations Framework Convention on Climate Change (hereinafter referred to as ^the Convention^) and its Kyoto Protocol (hereinafter referred to as ^the Protocol^) ratified and approved by China respectively, and the relevant decisions adopted by the Conference of the Parties, with a view to strengthening the effective management of Clean Development Mechanism (hereinafter referred to as ^CDM^) projects by the Chinese Government, protecting China's rights and interests, and ensuring the proper operation of CDM project activities.

Article 2 According to the Protocol, CDM is a project-based mechanism under which developed country Parties cooperate with developing country Parties in order to meet part of the GHG emission reduction obligations of the developed country Parties. The purpose of this mechanism is to assist developing country Parties in achieving sustainable development and in contributing to the realization of the ultimate objective of the Convention as well as to assist developed country Parties in achieving compliance with their quantified GHG emission limitation and reduction commitments. The core of the CDM is to allow developed country Parties, in cooperation with developing country Parties, to acquire ^certified emission reductions (hereinafter referred to as ^CERs^)^ generated by the projects implemented in developing countries.

Article 3 CDM project to be implemented in China shall be approved by relevant departments under the State Council.

Article 4 The priority areas for CDM projects in China are energy efficiency improvement, development and utilization of new and renewable energy, and methane recovery and utilization.

Article 5 In accordance with the relevant decisions of the Conference of the Parties, the implementation of CDM projects shall ensure transparency, high efficiency and accountability.

II. Permission Requirements

Article 6 CDM project activities shall be consistent with China's laws and

regulations, sustainable development strategies and policies, and the overall requirements for national economic and social development planning.

Article 7 The implementation of CDM project activities shall conform to the requirements of the Convention, the Protocol and relevant decisions by the Conference of the Parties.

Article 8 The implementation of CDM project activities shall not introduce any new obligation for China other than those under the Convention and the Protocol.

Article 9 Funding for CDM projects from the developed country Parties shall be additional to their current official development assistance and their financial obligations under the Convention.

Article 10 CDM project activities should promote the transfer of environmentally sound technology to China.

Article 11 Chinese funded or Chinese-holding enterprises within the territory of China are eligible to conduct CDM projects with foreign partners.

Article 12 CDM project owner shall submit to the Designated National CDM Authority the following documents: CDM project design document, certificate of enterprise status, general information of the project, and a description of the project financing.

III. Institutional Arrangement for Project Management and Implementation

Article 13 National CDM Board (hereinafter referred to as ^the Board^) is hereby established under the National Climate Change Coordination Committee (hereinafter referred to as ^the Committee^), and a CDM project management institute will be established under the Board.

Article 14 The Committee is responsible for the review and coordination of important CDM policies. More specifically, it has the following responsibilities:

1. To review national CDM policies, rules and standards;
2. To approve members of the Board; and
3. To review other issues deemed necessary.

Article 15 National Development and Reform Commission (NDRC) and Ministry of Science and Technology (MOST) serve as co-chairs of, and Ministry of Foreign Affairs (MFA) serves as the vice chair of, the Board. Other Board members are State Environmental Protection Administration, China Meteorological Administration, Ministry of Finance, and Ministry of Agriculture. The Board has the following responsibilities:

1. To review CDM project activities mainly from the following aspects:
 - (1) Participation qualification;
 - (2) Project design document;
 - (3) Baseline methodology and emission reductions;
 - (4) Price of CERs;
 - (5) Terms relating to funding and technology transfer;
 - (6) Crediting period;
 - (7) Monitoring plan; and

(8) Expected sustainable development effectiveness.

2. If no foreign buyer is determined by the time a project is submitted for approval, and in result the price information requested in the above term 1 (4) is not available, it must be indicated in the project design document that the emission reductions generated by the project will be transferred into China's national account in the CDM registry and can only be transferred out with the authorization of China's Designated National Authority for CDM.

3. To report to the Committee on the overall progress of CDM project activities, issues emerged, and further recommendations; and

4. To make recommendations on the amendments to this measures.

Article 16 NDRC is China's Designated National Authority for CDM, with the following responsibilities:

1. To accept CDM project application;
2. To approve CDM project activities jointly with MOST and MFA, on the basis of the conclusion made by the Board;
3. To issue written approval letter on behalf of the Government of China;
4. To supervise the implementation of CDM project activities;
5. To establish the CDM project management institute referred to in Article 13 above, in consultation with other departments; and
6. To deal with other relevant issues.

Article 17 Project owner, which refers to the Chinese funded or Chinese-holding enterprises, shall:

1. Undertake CDM project negotiations with foreign partners;
2. Be responsible for construction of the project and report periodically to NDRC on the progress;
3. Implement the CDM project activity, develop and implement project monitoring plan to ensure that the emission reductions are real, measurable, long-term and additional, and subject itself to the supervision of NDRC;
4. Contract designated operational entities to validate the proposed project activity and to verify emission reductions of the project activity; provide necessary information and monitoring record, and submit the information to NDRC for record purpose; and protect state and business confidential information in accordance with relevant laws and regulations;
5. Report to NDRC on CERs issued;
6. Assist NDRC and the Board in investigating relevant issues and respond to the inquiries; and
7. Undertake other necessary obligations.

IV. Project Procedures

Article 18 Procedures for the application and approval of CDM projects:

1. Project owner, or together with its foreign partner, submits to NDRC project application, and documents as required by Article 12 above. Relevant departments and local governments may facilitate such project application;
2. NDRC entrusts relevant organizations for expert review of the applied project,

which shall be concluded within 30 days;

3. NDRC submits those project applications reviewed by the experts to the Board;
4. NDRC approves, jointly with MOST and MFA, projects based on the conclusion made by the Board, and issues approval letter accordingly;
5. NDRC will make a decision on project application within 20 days (excluding the expert review time) as of the date of accepting the application. The time limit for decision-making may be extended to 30 days, with the approval of the Chair or the Vice-chair of NDRC, if a decision could not be made within 20 days. The project applicant should be informed of such a decision and its reasons.
6. Project owner invites designated operational entity to validate the project for registration; and
7. Project owner shall report to NDRC on the approval decision by the CDM Executive Board within 10 days as of the date of receiving the notice from the Executive Board.

Article 19 Existing other relevant rules and procedures for the approval of construction projects shall apply to CDM projects.

Article 20 Procedures for the project implementation, monitoring and verification:

1. Project owner is responsible for presenting NDRC and designated operational entity project implementation and monitoring reports;
2. NDRC is authorized to supervise the implementation of the project to ensure the quality of the activity;
3. Contracted designated operational entity verifies the emission reductions of the project activity and submits certification report to the CDM Executive Board, which will then issue CERs for the projects and inform its decision to the project participants; and
4. NDRC or other organizations entrusted by NDRC will put the CERs issued by the CDM Executive Board in file and record.

V. Other Provisions

Article 21 Developed country Parties mentioned above refer to Parties included in Annex I of the Convention.

Article 22 CDM Executive Board mentioned above refers to the board as defined in Article 12 of the Protocol for the purpose of supervising CDM.

Article 23 Operational entity mentioned above refers to the entity as defined in Article 12 of the Protocol for the purpose of validation as well as verification and certification of CDM project activities.

Article 24 Whereas emission reduction resource is owned by the Government of China and the emission reductions generated by specific CDM project belong to the project owner, revenue from the transfer of CERs shall be owned jointly by the Government of China and the project owner, with the allocation ratio defined as below:

- 1-the Government of China takes 65% CER transfer benefit from HFC and PFC projects;
- 2-the Government of China takes 30% CER transfer benefit from N₂O project;
- 3-the Government of China takes 2% CER transfer benefit from CDM projects in priority areas defined in Article 4 and forestation projects.

The revenue collected from CER transfer benefits of CDM projects will be used in

supporting activities on climate change. The detailed regulations on collecting and using of the revenue will be formulated by Ministry of Finance jointly with NDRC and other relevant departments.

•4•The Article does not apply to the projects already approved by the Government of China before 12 October 2005.

Article 25 NDRC, in consultation with MOST and MFA, is responsible for the interpretation of this measures.

Article 26 This Measures takes effect as of 12 October 2005. The *Interim Measures for Operation and Management of Clean Development Mechanism Projects In China* taking effects on 30 June 2004 will be abolished thereafter.

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