

25 Degrees in Africa - CDM

Making waves in the CDM world

The South African Clean Development Mechanism Industry Association (SACDMIA) recently met for a feedback session on the progress made by the Association's respective working groups in recent months.

The meeting highlighted the exciting potential which exists within the South African CDM market, and also addressed the challenges of operating in an industry as highly technical, monitored and legislated as theirs.

The Association's constitution provides that "...the main objective of the SACDMIA shall be to promote the common interests of CDM project developers, CDM consultants, CDM project owners and other industry stakeholders in the CDM in South Africa."

It also lists the following ancillary objectives, amongst others:

- To seek to influence and to provide input into the development of a favourable regulatory environment for CDM in South Africa.
 - To seek to interact with all relevant South African government and parastatal organisations, including but not limited to the South African DNA, the National Energy Regulator, the Department of Minerals and Energy, the Department of Environmental Affairs and Tourism, the Department of Trade and Industry, the National Treasury and the Central Energy Fund (CEF) and CEF (Pty) Ltd.
 - To seek to facilitate collaboration between interested parties towards achieving holistic, national CDM capacity and understanding.
 - To seek to promote co-operative governance in the context of CDM in South Africa.
 - To engage with other South African organisations active in the broader fields of climate change mitigation and adaptation, and sustainable development, including the private sector and civil society, in order to facilitate common goals and interests.
 - To seek to engage, as may be appropriate, with other national governments and their regulatory arms, other private sectors, other civil societies and multilateral organisations including United Nations bodies.
 - To make representations and submissions regarding the CDM to relevant official and other bodies.
 - To facilitate research on specific issues deemed important to the CDM in South Africa and to publish the findings.
 - To liaise with local and international media regarding CDM in South Africa.
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Robert Ashdown of PricewaterhouseCoopers' Governance and Sustainability unit was the first to offer consolidated feedback on the SACDMIA working group he chairs — namely, Accounting and Finance. He outlined the working group's purpose as seeking to resolve issues opposing solutions with regard to emissions reduction projects and CERs, and uncover meaningful insight into various association problems and solutions with regard to the CDM. "Our group aims to stimulate constructive collective initiatives for clarity in these areas," he noted.

The group reported meeting on three occasions around the following topics:

- Introducing CDM accounting;
 - Technical accounting and fair value determination of CERs;
 - Controls relative to trades and the greater system with regards to sale and delivery of CERs;
 - Exchange control issues pertaining to international trades in carbon credits and expenses in foreign currencies;
 - The greater operative system outside of the DOE.
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Mandy Rambharos of Eskom's Climate Change and Sustainability department, gave feedback on behalf of the Methodologies working group. She cited holding discussions around the calculation of the South African national grid emissions factor, and stressed that the know-how when dealing correctly with this calculation is of vital importance and capable of giving consultants an advantage over their competitors. She also cited that the group was investigating issues around additionality and ways of optimising additionality in terms of employing a sectoral approach to the CDM.

Wiseman Khumalo of Carbon Reductions — South Africa, in reporting on the activities of the Lobbying working group, cited the group's intention to influence businesses in regard to perceptions of the CDM, seeking a "...rethink around CDM projects..." and "...(wanting) to raise points with which to engage them..." A key aspect of this process will be to rally positive thinking around the CDM.

Gregoir Pfeiffer of africapractice, who deals with communications, mentioned the SACDMIA's intention to begin speaking to and reaching the wider public in terms of its efforts. He also raised the need for a website which would act as a point of contact for CDM professionals in SA and internationally, and assist investors and buyers by providing an introduction to the South African CDM market.

Andrew Gilder of IMBEWU Sustainability Legal Specialists and Warburton Attorneys described recent interventions made by the Tax and Legal working group with the Tax Policy Unity of the National Treasury. Current issues on the agenda of this working group include the tax treatment of Certified Emissions Reductions (CERs) generated in South Africa, their property legal nature, the application of exchange control to carbon transactions and the potential role of the South African Futures Exchange in contracts for the forward purchase of South African CERs.

For further information on SACDMIA, including on how to become a member, please contact: Johan van den Berg (Chair): Johan.VanDenBerg@WSPGroup.com and/or Andrew Gilder (Secretariat): andrew@imbewu.co.za .