

## CLIMATE PROJECTS CYCLE

### 1.Expression of interest.

Preparation of the Project Idea Note (PIN).

### 2.Preselection of PINs.

The Spanish Climate Change Office (OECC) conducts a first assessment of the applications (PIN). FES-CO<sub>2</sub> approves the preselected PINs, whose project developers are invited to present their detailed proposals in a Project Document. The Fund Board approves new methodologies if needed.

### 3.Presentation of proposals.

Preparation of the Project Document (DP): detailed description of the project activity, estimation of emissions reduction according to the methodologies approved by FES-CO<sub>2</sub>, and a Monitoring Plan, among other elements.

### 4.Assessment and final selection.

The OECC evaluates each Project Document (PD) according to an approved set of criteria. FES-CO<sub>2</sub> approves the selected projects and reports to the Fund Board.

### 5.Signature of the purchase agreement.

MAGRAMA signs, with each project developer, a Purchase Agreement for the acquisition of the verified emission reductions.

### 6.Project implementation.

### 7.Monitoring.

The project developer shall monitor the project performance, according to the Monitoring Plan, based on the methodologies approved by FES-CO<sub>2</sub>. The Monitoring Report must be prepared periodically to calculate emission reductions achieved in a predefined period. It needs to be based on real parameters measured according to the monitoring methodologies published on the FES-CO<sub>2</sub> website.

### 8.Verification.

The monitoring report is verified annually by an Independent Entity recognized by FES-CO<sub>2</sub>. The verification is conducted according to the Verification Manual available on the FES-CO<sub>2</sub> website. As a result of the verification, the Independent Entity issues a Verification Report.

### 9.Payment.

The project developer submits to FES-CO<sub>2</sub> the Verification Report along with the associated Monitoring Report before May 31<sup>st</sup> each year. FES-CO<sub>2</sub> evaluates it, and acquires the verified emission reductions in accordance with the provisions of the Purchase Agreement.

## Methodologies for calculating emission reductions

### Agriculture

- ⊙ Anaerobic digestion of livestock waste (manure and slurry) and other co-substrates.

### Building

- ⊙ Reduction of fossil fuel consumption (thermal energy) in a new or existing installation.
- ⊙ Energy Efficiency on thermal energy consumption for existing buildings.
- ⊙ Reduction of fossil fuel consumption (thermal energy) in a new District Heating Network.

### Industrial

- ⊙ Energy Efficiency on thermal energy consumption for industrial activities.
- ⊙ Reduction of fossil fuel consumption (thermal energy) in a new or existing installation.
- ⊙ Methane capture and combustion in coal mining.

### Waste

- ⊙ Waste management (landfill).
- ⊙ Waste management (other than landfill).

### Transporte

- ⊙ Fleet replacement (cars).
- ⊙ Fleet replacement (buses).
- ⊙ Modal shift from road to rail in freight transport.
- ⊙ Fuel switching in road freight transport.

### Fluorinated

- ⊙ Replacement of HFCs to lower GWP refrigerants.

# Climate Projects:

Definition, project cycle,  
monitoring and verification



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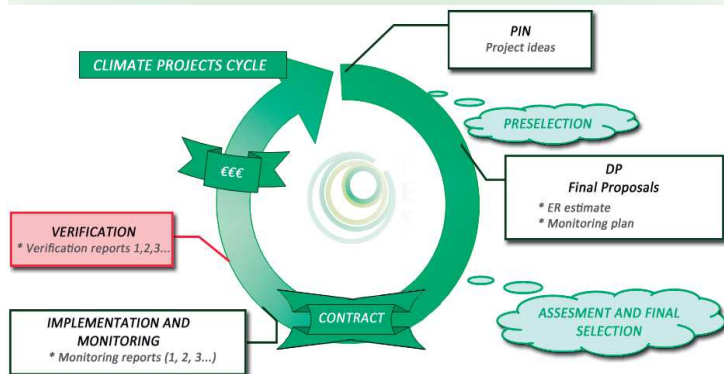


## WHAT ARE CLIMATE PROJECTS?

Climate Projects have been performed under the Carbon Fund for a Sustainable Economy (FES-CO2). They are greenhouse gases (GHG) emissions reduction projects, that must be implemented in Spain, in sectors not covered under the European Union Emissions Trading Scheme (EU ETS).

Climate Projects have proven to be examples that generate economic activity in our country, creating jobs in sectors linked to action on climate change. Today, with more than 100 approved projects to reduce emissions, this initiative undoubtedly contributes to Spain moving forward towards a green economy and low carbon society.

The incentive given to the selected climate projects is the payment by FES-CO2 for every reduced and verified tonne of CO2 equivalent (tCO2e).



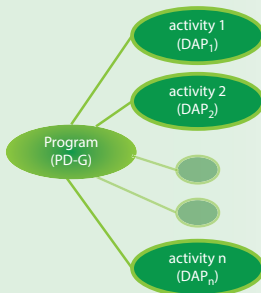
There are two types of Climate Projects:

### Traditional Climate Project:

A project that includes one or more defined activities with a specific date of implementation.

### Program of Activities:

It corresponds to an upscaled approach that provides the framework for several activities that are progressively added to the program. This approach allows grouping similar activities that are geographically spread and implemented gradually.



## MONITORING

Once the Purchase Agreement is signed and the project activity has started, monitoring must be performed in order to record the real emission reductions achieved by the activity.

For doing so, monitoring methodologies have been developed and are available on the FES-CO2 website. These monitoring methodologies also contain information on how the Monitoring Plan should be prepared. As part of the Project Document (PD), the Monitoring Plan of the project describes the way in which monitoring should be implemented.

Finally, the emission reductions achieved must be reflected in the Monitoring Report according to methodologies developed by FES-CO2.

## CONTENT OF THE MONITORING REPORT

<b>Summary sheet</b>	It should be developed in accordance with the guidelines set out in the monitoring methodologies for each project type.
<b>Description of the activity</b>	Objective, starting date, extraordinary events, corrections or deviations from the provisions of DP, etc.
<b>Monitoring description</b>	Description of the monitoring methodology, brief description of the monitoring plan, training activities, systems for data management, etc.
<b>Monitoring parameters</b>	Review of the parameters used to estimate the emission reductions (ex ante, baseline parameters) and detailed description of the data used to calculate them (ex post, real measurement).
<b>Emission reductions calculation</b>	This section should include both the ex-ante estimation and the data obtained as a result of the real measurement and recorded data. The project developer should compare both values and identify any reason for deviation if any.

Contact and useful information:

<http://www.magrama.gob.es/cambio-climatico/temas/proyectos-clima/fes-co2@magrama.es>

## VERIFICATION

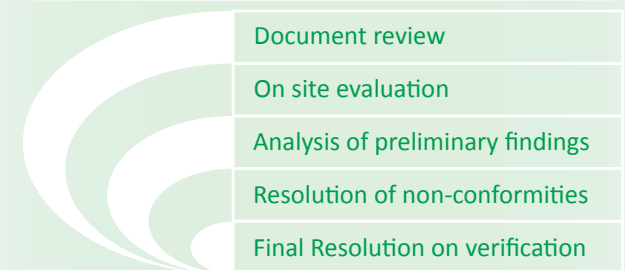
Verification accounts for the review and *ex post* determination of the monitored emission reductions that have occurred as a result of a Climate Project during the verification period. Verification will only be valid if carried out by an Independent Entity recognized by FES-CO2.

The goal of this verification is to check and confirm that:

1. The Climate Project has been carried out according to the information described in the Project Document (DP);
2. A real reduction of GHG emissions has occurred, and the Monitoring Reports have been prepared by the project developer according to the Monitoring Plan and the established monitoring methodology;
3. It is compulsory that at least one verification takes place per year. Nevertheless, this verification may contain one or more associated Monitoring Reports prepared according to the frequency that has been decided by the project developer.

The Verification Report must be submitted annually to FES-CO2 before May 31st, for the purposes of evaluation and acquisition of associated verified emission reductions. Exceptionally, the first verification report may cover a period above or below a calendar year.

## VERIFICATION STAGES



Once all relevant non conformities raised by the verifier have been cleared successfully, the Verification Report will be issued, including a positive resolution of the verification. When the verifier issues a positive opinion, the project developer shall submit both Monitoring and associated Verification Report to FES-CO2. Once they have been reviewed and approved, the Ministry of Agriculture, Food, and Environment (MAGRAMA) will proceed in purchasing the verified amount of emission reductions in accordance with the Purchase Agreement.

Both reports shall be submitted in electronic format as well as in hard copies to the Spanish Climate Change Office (OECC), Carbon Fund FES-CO2 Secretariat.