Netherlands CDM Facility

From the Ministry of Housing, Spatial Planning and the Environment (VROM)

The Netherlands has been constructively active in climate change negotiations for more than 20 years. It is the first country to have earmarked public funding for the purchase of carbon dioxide reductions.

The Netherlands is committed to reducing its greenhouse gas emissions. Approximately 67 million tons of carbon dioxide equivalent emission reductions will be purchased through the Clean Development Mechanism (CDM).

An important part—38 million tons—of that target will be arranged by the International Bank for Reconstruction and Development (IBRD, the World Bank), through the Netherlands CDM Facility (NCDMF), established in 2002, and extended since then several times.

CDM projects are supposed to deliver credits, but—equally important—also contribute to sustainable development in the countries concerned. The main reasons for cooperation with the World Bank are its effective approach towards the carbon market and its access to and large experience in developing countries. We are confident that the World Bank will succeed.

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NCDMF Portfolio Development

The Netherlands Clean Development Mechanism Facility is well on its way to completing its target of purchasing 38 million tons of carbon dioxide equivalent emission reductions by June 2007. It is notable that the NCDMF portfolio is well diversified in several ways.

First, the portfolio is spread across several regions, including Africa, Asia, Central Europe and Latin America. Second, the portfolio has purchased emission reductions both from heavy greenhouse gas mitigation projects (including HFC-23 destruction, coal mine methane capture and landfill gas capture) as well as from projects improving energy efficiency and renewable energy generation (wind and hydro). Finally, the portfolio is characterized by the diverse size of its purchases, with 37% of the projects resulting in a contract amount over one million tons of carbon dioxide equivalent. The portfolio diversity helps to promote the full potential of the CDM while ensuring full delivery of emission reductions to VROM.

PERU

Huaycoloro Landfill Gas Recovery Project

The project is located at the Huaycoloro landfill in the Huaycoloro Valley in Peru. The Huaycoloro landfill opened in 1994 and is anticipated to remain open until about 2040, with a total capacity of approximately 40 million tons of solid waste. The Huaycoloro landfill is currently filling at a rate of approximately 2,200 tons per day and presently has about 5.5 million tons of waste in place.

The project's purpose is to reduce greenhouse gas emissions, in particular reduce methane emissions through capture and combustion of Huaycoloro's landfill gas (LFG) to generate up to 5.7 megawatts of electricity. It will flare the remaining landfill gas. The project will reduce carbon dioxide emissions by supplying renewable electricity to the *SEIN-National Interconnected Electricity System*. The NCDMF will purchase greenhouse gas emission reductions from the project.

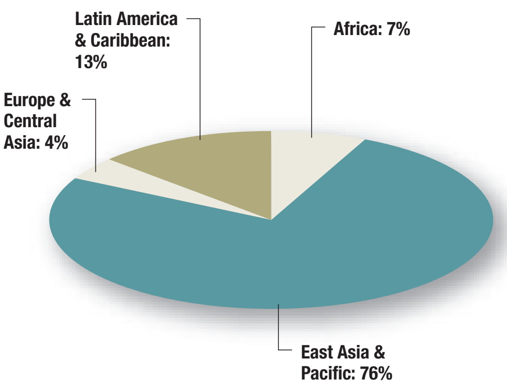
Additionally, the project will help contribute to the local community by creating jobs associated with the design, construction and operation of the LFG capture—much of the construction and development funding is to be spent locally for drilling, piping, construction and operational personnel. The project may attract economic development near the landfill from elsewhere, by making the area around the project site a better and safer place to live and do business.

NCDMF Portfolio Development *continued*

Active NCDMF Portfolio (by contract values)

Geographic Distribution

The portfolio is heavily skewed towards the East Asia & Pacific region (76%) largely because of the HFC-23 Destruction Project in China. Separating this project from the rest of Asia, the distribution shows Asia (40%) and South America (13%). Africa comes up next (7%) with Europe and Central Asia lagging behind all other regions (4%).



Technological Distribution

The requirement to purchase emission reductions only through 2012 has limited the composition of the NCDMF portfolio, with a heavier emphasis than originally planned on mitigation of heavy greenhouse gases—industrial gases (38%), coal mine methane capture (32%) and land-fill gas capture (10%). Meanwhile, renewable energy, including geothermal energy and energy efficiency projects collectively amount to approximately one-fifth of the total active portfolio.