



Spain

Spain's Climate Projects

Good practice summary

[Results/insights]

Ministry of Agriculture, Food and Environment of Spain launched the Carbon Fund for a Sustainable Economy (FES-CO2) as a tool to boost the implementation of domestic greenhouse gas (GHG) emissions reduction projects and achieve a low carbon economy. Climate Projects supports Spanish companies, public administration, or individuals by funding national projects that reduce GHG emissions within non-ETS sectors (agriculture, waste, buildings, transport and fluorinated gases). FES-CO2 buys the verified emissions reductions achieved by the project for the first four years of the project's operation. The emission reductions have to be measurable and verifiable in a manner that allows them to be reflected in the national GHG inventory.

Scope covered

Functions

Measuring Reporting Verification Accounting

Administrative scope

National Regional City-level Policy/programme/project Corporate/Facility-level

Legal basis

[policies, regulations and commitments that the case study has to comply with]

Law 2/2011¹: creates, in its Article 91, the Carbon Fund for a Sustainable Economy (FES-CO2).

Royal Decree 1494/2011²: establishes the regulation of the FES-CO₂.

Operational since

The design and set-up of Climate Projects initiated in 2011 and was later implemented in 2012 in a "pilot phase".

How is this related to accounting?

[The following is based solely on the consultant's opinion]

» What kind of measures, policies, or commitments are a) monitored and included in an accounting system, b) only monitored, but not included in an accounting system, or c) not even monitored?

Through the Climate Projects, Spain quantifies the GHG emission reductions through a measurement, reporting and verification (MRV) system, and accounting rules and principles based on their national GHG inventory and taking into account their experience with the CDM. The estimation of GHG emission reductions generated by Climate Projects must follow the methodologies previously approved and published by the Fund Board.³ These methodologies are designed by the Spanish Office of Climate Change (OECC, by its acronym in Spanish) together with the National GHG Emissions Inventory team; to be aligned with the national GHG inventory methodologies and assumptions.

¹<https://www.boe.es/boe/dias/2011/03/05/pdfs/BOE-A-2011-4117.pdf>

²http://www.magrama.gob.es/es/cambio-climatico/temas/proyectos-clima/RD_1494-2011_LES_tcm7-181534.pdf

³<http://www.magrama.gob.es/es/cambio-climatico/temas/fondo-carbono/metodologias.aspx>



Climate Projects need to be verified by an Independent third party, usually EU ETS verifiers or Designated Operational Entity (DOE)/Accredited Independent Entities (AIEs) accredited by the Clean Development Mechanism (CDM)/Joint implementation (JI) Executive Board/Supervisory Committee. This process is further explained in more detail in the sections below.

If a project developer suggests a project which is not covered by any of the current methodologies, the OECC and the National Emissions Inventory team will develop together a methodology which allows the reflection of the emission reductions achieved through new projects, in the National GHG Emissions Inventory. This is explained further below in the “MRV and accounting systems, processes and procedures” section.

Case description

Background

» What was the need, pre-conditions, and/or experiences that motivated the country to develop this system?

As an effort to meet the GHG emissions reduction commitments that Spain has with both, the United Nations Framework Convention on Climate Change (UNFCCC) and the European Union, Spain decided to create a sustainable system, in addition to the existent mechanisms (i.e., EU-ETS), to drive the economic activity in the country towards a low carbon economy.

On 4th March 2011, the FES-CO₂ was established through the law 2/2011. By 24th October 2011, the Royal Decree 1494/2011 was set in place to establish the regulations on which the FES-CO₂ would operate. The FES-CO₂ promotes a low carbon growth while consolidating a sustainable and innovative economy. The Fund supports the private sector in carrying out low-carbon activities, creating enabling environments that facilitate the investments required to enhance the development of clean technologies which contribute to climate change mitigation.

FES-CO₂ aimed to boost the activity of Spanish companies in sectors not covered under the EU-ETS also referred to as ‘diffuse sectors’⁴ by purchasing verified emissions reductions resulting from the development of domestic emission reduction projects. These emission reduction projects, called Climate Projects, were designed to promote a transformation path for the Spanish production system towards a low carbon model and help Spain achieving their international commitments.

General description of the system

[Questions below should be answered only when applicable]

- » General definition/description of the system
- » What are the main types of action that mitigate GHG emissions?
- » What linkages to other systems/ system elements of environmental information (including adaptation to climate change or emissions trading schemes) do exist and why were they established? What linkages exist to other statistical/ monitoring systems?
- » Which platforms are used to transport information and are they specific to the purpose of usage MRV information?

Climate Projects are based on proposals done by project developers that must fulfil the requirement set by the Royal Decree 1494/2011 and the general provisions developed by the Fund Board and published in the Carbon Fund’s Website. Any private company, association, local or regional government institution, or individual can be a project developer. If any of these actors has an idea for a project that can result in GHG emission reductions, and require funding for its development, they can apply for a Climate Project. If the project fulfils the Climate Projects requirements (see below), the Fund (FES-CO₂) will pay for each tonne of CO₂ eq reduced in the first 4 years of the projects life.

⁴Diffuse sectors: sectors not covered under the EU ETS. The “diffuse sectors” are: transport, waste, residential, non- ETS industry, fluorinated gases and agriculture

Characteristics and requirements

Emission reductions gained through FES-CO2 require compliance with the appraisal criteria (see appraisal criteria section below) and Article 7 of the Royal Decree 1494/2011 that regulates the FES-CO2. Article 7 requires Climate Projects to:

- » Be additional to those resulting from the rules laid down in sectoral legislation that are applicable to them;
- » Proceed from facilities and sectors not covered by the EU emissions trading scheme;
- » Be measurable and verifiable, so that they can be in the national inventory of greenhouse gases and;
- » Be calculated in accordance with methodologies approved by the Fund Board.⁵

Appraisal criteria

The final selection of the Climate Projects is done based on the revision of project proposals submitted, in accordance with the evaluation criteria (Table 1) adopted by the Spanish Fund Board of the FES-CO2. Some endpoints, such as additionality and financial sustainability in the long term are of exclusionary character, while the other assessment criteria are weighted quantitatively.

Project proposals that consider involving the use/implementation of Spanish technology, job creation and other environmental, economic and social benefits will be ranked higher.⁶

Criteria	Weight
Compliance with the conditions of submission of tenders for the call	exclusionary
Additionality	exclusionary
Long-term financial sustainability	exclusionary
Economic efficiency	20%
Reduction potential	45%
Reduction potential	35%

Table 1 Evaluation Criteria

Types of Climate Projects

There are two modalities of Climate Projects, these are:

- 1) Traditional Climate Project: includes one or more defined activities with a concrete date for implementation.
- 2) Climate Programmes of Activities: an expanded approach that includes activities progressively added to a program, allowing similar activities distributed in different geographical areas of Spain to be grouped into the concept of a program. The gradual accession of activities that fit into a common denominator is allowed (e.g., a company wants to improve the heating systems in their hotels by using more efficient technologies. This will be done firstly in a hotel in Madrid but will be later on replicated in other hotels in Spain).⁷

⁵<http://www.magrama.gob.es/es/cambio-climatico/temas/fondo-carbono/metodologias.aspx>

⁶http://www.magrama.gob.es/es/cambio-climatico/temas/proyectos-clima/guia_proyectos_clima_2015_tcm7-266215.pdf

⁷http://www.magrama.gob.es/es/cambio-climatico/temas/proyectos-clima/4directricespoas_2016_tcm7-415740.pdf

MRV and accounting systems, processes and procedures

[Questions below should be answered only when applicable]

- » How is information generated, communicated, integrated, and verified at each stage of the MRV chain?
- » What information needs to be gathered in order to quantify the effect of these actions?
- » How is such information gathered or estimated? By whom?
- » How is this information reported? How is it verified?
- » In what areas information is shared among accounting and MRV systems?
- » What kind of agreements are used to establish the relevant institutional roles?

Climate Project's life cycle

The Climate Projects selection is done on an annual basis. The timetable for the whole process is laid out below in Table 2 and Figure 1 below illustrates the Climate Project cycle. The selection procedure starts with the launch of a call for project proposals. A process consisting of several stages finishes with the selection of final projects that the FES-CO2 will endorse through the purchase-sale contracts of verified GHG emission reductions.

#	Step	Approximate Timeframe
1	Expression of interest	2 months
2	Preselection of PINs	1.5 months
3	Development of the project document	2 months
4	Assessment and Final Selection	2 months
5	Formalization of purchase contracts	1.5 months
6	Construction	Variable
7	Project monitoring	4 years
8	Verification of GHG emissions reductions	4 years
9	Collection of reductions	Yearly during the 4th year

Table 2 Climate Projects timeframe

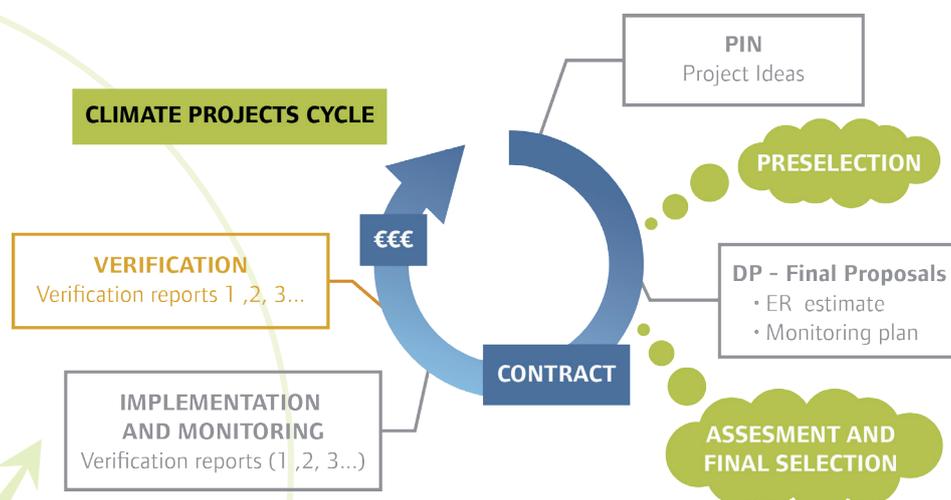


Figure 1 Climate Project cycle

1. Expression of interest.

Expressions of interest must be submitted by using a project idea summary document (PIN) form. These have to be sent via email⁸ to the FES-CO2 before a date specified in the call for expressions of interest. In the expression of interest stage, the compliance of requirements laid down in the Royal Decree and guidelines for consideration as Climate Project will be assessed.⁹

The estimation of GHG emission reductions generated by the Climate Projects has to be done by following the methodologies approved by the Fund Board. If there is no calculation methodology approved by the Fund Board for a specific type of project, the project applicant may propose an alternative methodology. When this happens, the methodology will have to be analysed by the OECC and the National Emissions Inventory team and approved by the Fund Board. The project idea summary document (PIN) form contains precise instructions on how to complete it.¹⁰

2. Preselection of PINs.

Once PINs have been received, the compliance with the characteristics and basic requirements for consideration as Climate Projects will be assessed. For pre-selection purposes, all the Autonomous Regions will be informed on how the expressions of interest meet the requirements of Article 7 of RD 1494/2011 and if there is information that should be taken into account regarding to regional regulations for projects.¹¹

3. Presentation of proposals.

The shortlisted project ideas must be materialized in detailed proposals by submitting a project document (DP). The Forms are publicly available and can be found at the Climate Projects website.¹² The estimation of GHG emission reductions generated by the Climate Projects must be carried out in accordance with the methodologies approved by the Fund Board. The document " Guidelines for submitting final proposals" presents the process in this stage.¹³

Final proposals must be submitted before the date set by the FES-CO2. The documentation must be submitted within the prescribed period, and sent via email to the FES-CO2.¹⁴

⁸fes-co2@magrama.es

⁹<http://www.magrama.gob.es/es/cambio-climatico/temas/proyectos-clima/el-ciclo-de-proyectos-clima/default.aspx>

¹⁰http://www.magrama.gob.es/es/cambio-climatico/temas/proyectos-clima/pautas-propuestas-2016-fesco2_tcm7-415276.pdf

¹¹The Autonomous Communities are Spanish administrative territorial entities

¹²http://www.magrama.gob.es/es/cambio-climatico/temas/proyectos-clima/documentacion_basica.aspx

¹³http://www.magrama.gob.es/es/cambio-climatico/temas/proyectos-clima/documentacion_apoyo.aspx

¹⁴Fes-co2@magrama.es

4. Assessment and final selection.

The final selection of the Climate Projects is done on the basis of the documentation received and in accordance with the evaluation criteria adopted by the Fund Board. These evaluation criteria will situate each project presented in a "Ranking" that will be used to shortlist the selected projects according to the budget available. The final selection of projects in any case lies within the FES-CO₂.

5. Signature of the purchase agreement.

The project developer of the selected Climate Projects will draw up a sale and purchase agreement of verified emission reductions generated by the project over the next four years after signing the contract with FES-CO₂. There are two different contract models (for projects and for programmes).

6. Monitoring and verification.

Climate Projects monitoring and verification is compulsory after they have been implemented. An MRV system has to be designed and implemented, where information is collected on actual GHG emission reductions achieved by the project activities.

The FES-CO₂ has complemented the methodologies for estimating the emission reductions with monitoring methodologies describing in detail the most important aspects to be taken into account. The way the monitoring process must be carried out is described in the monitoring plan, which is part of the DP, and contains the items that have to be reported, such as the roles and responsibilities of those involved in monitoring process, measurement conditions, different monitoring parameters, etc.

Monitoring reports must be verified by an Independent third party (the Verifying Entity) in accordance with the guidelines contained in the Handbook for the verification of emission reductions in Climate Projects.¹⁵

The FES-CO₂ recognizes CDM/JI accredited DOE's/AIEs as well as those accredited verifiers under the EU-Emissions Trading System (EU ETS), as Climate Project verifiers, regardless of where they obtained their accreditation (always within the EU).

7. Payment.

The project developer submits to FES-CO₂ the verification report along with the associated monitoring report before May 31st each year. FES-CO₂ evaluates it, and acquires the verified emission reductions in accordance with the provisions of the Purchase Agreement. The payment received by the project corresponds to the real amount of verified GHG emission reductions. If the amount of emission reductions is higher than the amount agreed in the contract, FES-CO₂ will not be able to purchase them.

The price for the tonne CO_{2e} reduced is fixed annually at the beginning of each call for proposals by the Fund Board.. This price was initially of 7.1 €/tonne reduced (2012-2014 calls for proposals), and it was updated to 9.7 €/tonne reduced in 2015 (2015-2016 calls)^{16,17}. Once the price is fixed for a specific call, this price is going to be the same for the 4 years signed project. This means that the price can change between calls, but is kept the same during the years that a project has a signed contract.

Design and set-up

[Questions below should be answered only when applicable]

- » How was the system designed?
- » What was the overall process to set-up the system?

Taking into account the international emission reduction requirements for Spain, the Government designed a system that could work and help achieve the aforementioned requirements. In this sense, the FES-CO₂ was established through the law 2/2011. By 24th October 2011, the Royal Decree 1494/2011 was set in place to establish the regulations for the FES-CO₂. The OECC was designated for carrying out the design and technical management of Climate Projects, one of the mechanisms which are part of the FES-CO₂.

¹⁵http://www.magrama.gob.es/es/cambio-climatico/temas/proyectos-clima/Manual_verificaci%C3%B3n_PClima_FES-CO2_v2_2014_tcm7-237720.pdf

¹⁶<https://www.boe.es/boe/dias/2014/10/09/pdfs/BOE-A-2014-10291.pdf>

¹⁷<https://www.boe.es/boe/dias/2015/11/27/pdfs/BOE-A-2015-12815.pdf>

The OECC had to confront important aspects: types of contracts, the relation with the National Emissions Inventories, the measurement and verification processes. The OECC team involved in Climate Projects development has a wide technical expertise in CDM projects, as well as on GHG inventories and MRV which assisted in the design of Climate Projects. Thus, the OECC worked closely with the team in charge of the development of the National GHG Inventory in the Emissions Inventory Unit to develop methodologies and assumptions that follow the same approach used in the National GHG Inventory, but also cover the specific Climate Projects information requirements.

Once the legal and technical aspects were completely covered, the FES-CO₂ was able to make the first call for proposals, in 2012.

Throughout the first phase of the Climate Projects initiative in 2012, the FES-CO₂ noted that it was an efficient tool to achieve verified emission reductions and Spain has released further tenders for additional proposals in subsequent years, being 2016 the most recent year.

Improvement over time

» Is there an internal evaluation of the systems established aiming to enable improvement over time?

The OECC is open for the continuous improvement of the system so, if some project developer suggests a type of project that has never been done previously, the OECC is able to analyse the information provided by the project developer.

Institutions involved

» What institutional arrangements allow for the flow and integration of this information?

» What types of entities take a role in the above structures?

Lead: Spanish Climate Change Office – Ministry of Agriculture, Food and Environment.

Institutional arrangements: The FES-CO₂ is a climate financing instrument of the Spanish Government¹⁸. Climate Projects are one of the mechanisms that this climate instrument uses to carry out its objectives. The Fund Board is responsible for the administration, management and direction of the FES-CO₂. The OECC is the Fund Secretariat and provides advisory support to the Fund Board, and is also responsible for the technical management of the Climate Projects. Information on the composition of the Fund Board is available in the Royal Decree 1494/2011, articles 14 and 15, respectively.

Additionally to all the institutions involved through the Fund Board, Climate Projects are closely linked to the Emission Inventories Unit, and other units within the Ministry of Agriculture, Food and Environment. Regular meetings and consultations are held if necessary in order to update the methodologies for calculating the emissions reductions.

¹⁸<http://www.magrama.gob.es/es/cambio-climatico/temas/fondo-carbono/>

Case learning

Why is it good practice

Climate Projects, which can be considered such as a type of national simplified CDM projects where the government pays for each CO₂-e tonne reduced, are an interesting case for NAMA MRV. It is a system, which is not exclusively designed for a specific sector; but on the contrary, it is open to all the “diffuse sectors”. Additionally, it could be considered an interesting example about how the emission reductions estimated and verified are integrated into the National GHG Inventory.

Barriers that have been overcome

[barriers that have been overcome till date]

Capacity: The system was initially designed for some specific sectors, but it was difficult to predict how many types of projects could be covered by these emissions sales contracts. With the experience and knowledge acquired through the different rounds carried out since 2012, more methodologies have been added and more sectors are now covered. Currently there are 15 types of projects for 6 sectors: agriculture, transport, residential, waste management, fluorinated gases and non ETS industry & mining. For the first 4 rounds (2012-2015), more than 600 proposals have been received, being almost 200 of them selected to be part of Climate Projects. There is information available (type of project, project developer, location, and a brief description) on the different projects selected for each round.¹⁹

From a general point of view, the OECC, which is responsible for the technical management of the Climate projects, considers that the system was well-designed and there were no specific difficult barriers to be overcome.

Barriers to overcome

[barriers that are still present and needed to overcome]

Capacity: The system will continue growing in terms of number of projects and sectors covered. The barriers to be overcome in the future will be related to new methodologies needed and its relation with the National Emissions Inventory.

Quantitative information

Funding obtained

Climate Projects are included in the General State Budget. Every year a specific budget is allocated by the Spanish Government to the FES-CO₂. The budget can change every year depending on country priorities.

Funding required

There is no specific budget required for the maintenance of the system.

¹⁹<http://www.magrama.gob.es/es/cambio-climatico/temas/proyectos-clima/convocatorias-proyectos-seleccionados/>

Staff

[Number of staff involved in the design and implementation of the case study]

For the design of Climate projects, around 10 people from the OECC were involved, 3 of them were leading the process and required more time dedicated to it, but in any case there were any full time people required to this. Additional help from the National Emissions Inventory team is required when technical aspects have to be addressed. The same staff members are involved in the implementation of Climate Projects.

Time

[Time required to get to this stage]

1 year

Further information**Contact for enquiries**

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Website

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

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