Annex 15

DRAFT PROPOSAL ON THE USE OF FIRST-OF-ITS-KIND BARRIER AND THE ASSESSMENT OF COMMON PRACTICE

I. First-of-its-kind

The analysis contained in the "Summary note of the public inputs received from the call on the use of first-of-its-kind barrier and the assessment of common practice"(annex 13 of EB 63 annotations) leads to the conclusion that the most of the stakeholders agree that a "first of its kind" situation should not be treated as a permanent barrier allowing for demonstration of additionality. Consequently, the Board may wish to consider a revision of the "Tool for the demonstration and assessment of additionality" and "Combined tool to identify the baseline scenario and demonstrate additionality" in order to remove reference to barriers due to prevailing practice, *inter alia*: the project activity is the "first of its kind".

II. Common Practice

The analysis contained in "Summary note of the public inputs received from the call on the use of first-of-its-kind barrier and the assessment of common practice"(annex 13 of EB 63 annotations) leads to the conclusion that the most of the stakeholders agree that the "common practice" test should be retained; however, a better definition of what constitutes a "similar activity" is needed. Consequently, the Board may wish to revise the "Tool for the demonstration and assessment of additionality" and "Combined tool to identify the baseline scenario and demonstrate additionality" in order to add the following draft guidelines on the "common practice" as based on the stakeholders' inputs on the definition of "Prevailing practice":

Draft guidelines on "common practice"

I. Definitions:

1. **Applicable geographical area** - covers the entire host country as a default; however, if the technology applied in the project is internationally homogeneous, then the applicable geographical area should be extended to other countries or cover the global level. Project participants may provide justification that the applicable geographical area is smaller than the host country for technologies that vary considerably from location to location depending on local conditions.

2. **Measure**[1] (for emission reduction activities) - a broad class of greenhouse gas emission reduction activities possessing common features. Four types of measures are currently covered in the framework:

   (a) Fuel and feedstock switch;

   (b) Switch of technology with or without change of energy source (including energy efficiency improvement);

   (c) Methane destruction;

   (d) Methane formation avoidance.[2]

3. **Output**[3] - goods or services with comparable quality, properties, and application areas (e.g. clinker, lighting, residential cooking);

II. "Common practice"

4. The proposed CDM project is a "common practice" within a sector in the applicable geographical area if:

   (a) The share of the output of technology applied in the project and other similar technologies in the total output of the sector in the applicable geographical area is more than [20]%;

   (b) Technologies able to deliver the same output shall be considered similar if they do not differ by any of the following (as appropriate in the context of the measure applied in the proposed CDM project):

      (i) Energy source/fuel;

      (ii) Feed stock;

      (iii) Size of installation (power capacity):

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[1] The definition is taken from Annex 8 of the EB 62 Report.

[2] An example of methane formation avoidance is the use (e.g. for energy generation) of biomass that would have been left to decay in a solid waste disposal site. The measure prevents the formation of methane.

[3] The definition is taken from Annex 8 of the EB 62 Report.

– Micro (as defined in paragraph 24 of Decision 2/CMP.5 and paragraph 39 of Decision 3/CMP.6);

– Small (as defined in paragraph 28 of Decision 1/CMP.2);

– Large;

(iv) Investment climate in the date of the investment decision, inter alia:

– Access to technology;

– Subsidies or other financial flows;

– Promotional policies;

– Legal regulations;

(c) Registered CDM project activities shall not be included in this analysis.

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