



## Annex 2

### **Draft “Tool to assess the validity of the original/current baseline and to update the baseline at the renewal of a crediting period”<sup>1</sup>**

This tool provides a stepwise procedure to assess the continued validity of the baseline and to update the baseline at the renewal of a crediting period, as required by paragraph 49 (a) of the modalities and procedures of the clean development mechanism.

The tool consists of two steps. The first step provides an approach to evaluate whether the current baseline is still valid for the next crediting period. The second step provides an approach to update the baseline in case that the current baseline is not valid anymore for the next crediting period.

#### ***Step 1: Assess the validity of the current baseline for the next crediting period***

The “Procedures for the renewal of the crediting period of a registered CDM project activity” approved by the CDM Executive Board require assessing the impact of new relevant national and/or sectoral policies and circumstances on the baseline.

The validity of the current baseline is assessed using the following Sub-steps:

#### ***Step 1.1: Assess compliance of the current baseline with relevant mandatory national and/or sectoral policies***

If the current baseline complies with all relevant mandatory national and/or sectoral policies which have come into effect after the submission of the project activity for validation or the submission of the previous request for renewal of the crediting period and are applicable at the time of requesting renewal of the crediting period, go to Step 1.2.

If the current baseline does not comply with relevant mandatory national and/or sectoral policies, then assess based on the examination of current practice in the country or region in which the policies apply, whether those policies are systematically not enforced and that non-compliance with those requirements is widespread in the country or region.

***If the current baseline is not in compliance with the relevant mandatory national and/or sectoral policies or if it cannot be shown that the policies are systematically not enforced and that non-compliance with those policies is widespread in the country or region, then the current baseline needs to be updated for the subsequent crediting period.***

#### ***Step 1.2: Assess the impact of circumstances***

Assess the impact of circumstances existing at the time of requesting renewal of the crediting period on the current baseline emissions, without reassessing the baseline scenario.

***If the new circumstances make a continued validity of the current baseline not plausible, then the current baseline needs to be updated for the subsequent crediting period.***

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<sup>1</sup> The highlights reflect edits from the previous version.

**DRAFT*****Step 1.3: Assess whether the continuation of the use of current baseline equipment(s) is technically possible***

This Sub-step should only be applied if the baseline is the continuation of the current practice.<sup>2</sup>

Assess whether the remaining technical lifetime of the equipment that would have continued to be used in the absence of the project activity, as determined in the CDM-PDD or CDM-PDD-REN, exceeds the crediting period for which renewal is requested.

***If the remaining end of technical lifetime of the baseline equipment occurs is less earlier than the end of the additional crediting period requested at the renewal, then the current baseline needs to be updated for this crediting period or the crediting of emission reductions should be limited to the end of the technical lifetime of the baseline equipment.***

***Step 1.4: Assessment of the validity of the data and parameters***

Assess whether data and parameters that were only determined at the start of the crediting period and not monitored during the crediting period are still valid or whether they should be updated. Updates should be undertaken in the following cases:

- Where IPCC default values are used, the values should be updated if any new default values have been adopted and published by the IPCC, for example, in guidelines for national GHG inventories, IPCC assessment report or special reports by the IPCC;
- Where emission factors, values or emission benchmarks are used and determined only once for the crediting period, they should be updated, except if the emission factors, values or emission benchmarks are based on the historical situation at the site of the project activity prior to the implementation of the project and can not be updated because the historical situation does not exist anymore as a result of the CDM project activity.

***If any of the data and parameters that were only determined at the start of the crediting period and not monitored during the crediting period are not valid anymore, the current baseline needs to be updated for the subsequent crediting period.***

***If the application of Steps 1.1, 1.2, 1.3 and 1.4 confirmed that the current baseline as well as data and parameters are still valid for the subsequent crediting period, then this baseline, data and parameters can be used for the renewed crediting period. Otherwise, proceed to Step 2.***

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<sup>2</sup> This applies, for example, to project activities that i) reduce the release of waste gases (e.g. HFC-23, N<sub>2</sub>O, CH<sub>4</sub>) which would have continued to be released in the absence of the project activity; ii) retrofit a plant which would have continued to operate in the same manner in the absence of the project activity; iii) construct a new plant where, in the absence of the project activity, the project participants would not have constructed the plant but where the product (e.g. electricity, cement, aluminium, etc) would have been generated in other existing plants and/or in new plants constructed by third parties elsewhere.

**DRAFT*****Step 2: Update the current baseline and the data and parameters***

This step is only applicable if any of the Steps 1.1, 1.2, 1.3 and/or 1.4 showed that the current baseline needs to be updated.

***Step 2.1: Update the current baseline***

Update the current baseline emissions for the subsequent crediting period, without reassessing the baseline scenario, based on the latest approved version of the methodology applicable to the project activity. The procedure should be applied in the context of the sectoral policies and circumstances that are applicable at the time of request for renewal of the crediting period.

***Step 2.2: Update the data and parameters***

If the application of Step 1.4 showed that the data and/or parameter(s) that were only determined at the start of the crediting period and not monitored during the crediting period are not valid anymore, project participants should update all applicable data and parameters, following the guidance in Step 1.4.

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