

CDM-EB82-AA-A10

Concept note

Further development of the standardized baselines framework

Version 01.0



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1. Procedural background

1. Through decision 3/CMP.6, Parties agreed on the implementation of standardized baselines under the clean development mechanism (CDM) and recognized that the use of standardized baselines can potentially reduce transaction costs, enhance transparency, objectivity and predictability, facilitate access to the CDM, particularly with regard to underrepresented project types and regions, and scale-up the abatement of greenhouse gas (GHG) emissions, while ensuring environmental integrity.
2. Also through decision 3/CMP.6, at paragraph 46, Parties requested the CDM Executive Board (the Board) to develop standardized baselines (SB), as appropriate, in consultation with relevant designated national authorities (DNAs), prioritizing methodologies that are applicable to least developed countries (LDCs), small island developing States (SIDS), Parties with 10 or fewer registered CDM project activities as of 31 December 2010 and underrepresented project activity types or regions, inter alia, for energy generation in isolated systems, transport and agriculture.
3. CMP9 requested the Board to prioritize the development of top-down thresholds for baseline and additionality for the underrepresented countries in CDM.

1.1. Work done by the Board on standardized baseline so far:

4. The Board, at its sixty-fifth meeting (EB 65), adopted an ambitious work programme on the implementation of standardized baselines framework mandating the secretariat to develop several products included in the work programme. Since the adoption of the work programme in 2011, a number of documents including guidelines and procedures have been considered and approved by the Board. There have been 29 SBs submitted by various DNAs up to the end of 2014 using the approved SB framework, of which seven SBs have been approved by the Board. Information on the SB framework documents and SB submissions is available at the following page on the CDM website <http://cdm.unfccc.int/methodologies/standard_base/index.html>.

1.2. Relevant requests from the Board in 2013

5. At EB 76 (at para 38 of the meeting report) the Board provided feedback to the secretariat on the development of the database, in particular stating that the development of the database should be demand-driven, i.e. based on requests coming from DNAs that are involved in developing standardized baselines for specific sectors. These requests should be evaluated by the Board.
6. Also at EB 76 (at para 40 of the meeting report), the Board mandated the secretariat to prepare, for consideration at a future meeting, a draft revision of the "Procedure for development, revision, clarification and update of standardized baselines", with a view to:
 - (a) Clarifying that the form for proposed standardized baselines (PSB) should be updated when revised versions of the standardized baselines are submitted by the participants;
 - (b) Including a new section for submission of standardized baselines with deviations from the guidelines/methodology/tool used to derive the standardized baseline;

- (c) Revising the form for submission of standardized baselines to introduce a section for justifications for deviations.
7. The following is the list of relevant documents that were adopted by the Board in 2014:
- (a) Revised "Guideline on Quality assurance and quality control of data used in the establishment of standardized baselines" (QA/QC guideline) and a report on the road testing of the QA/QC guideline;
 - (b) Decision on consideration of the facilities with registered CDM project activities in development of a sector specific standardized baseline;
 - (c) Revision to CDM project standard (PS), CDM validation and verification standard (VVS), CDM project cycle procedure (PCP) and guidelines for completing the proposed new baseline and monitoring methodology form (PNM guidelines) to include elements of standardized baselines;
 - (d) Decision on selection of standardized baselines vis-à-vis approved methodologies;
 - (e) Standard for coverage of data and validity of standardized baselines;
 - (f) Two methodological tools for standardized baselines in transport sector.
8. In addition to that, in 2014 the Board considered the following documents and requested the secretariat and Methodologies Panel to conduct further work:
- (a) Report on the results of road testing the current approaches in "Guidelines for the establishment of sector-specific standardized baselines" (SB guidelines);
 - (b) Revised SB guidelines;
 - (c) An analysis paper on options for baseline and additionality thresholds under the product "Further work on standardized baselines including country-specific thresholds on baseline and additionality".

1.3. New requests by the Board in 2014:

9. While considering the above documents and accounting for the CMP mandates the Board provided the following mandates:
- (a) EB 78 (at para 25 of the meeting report) mandated the secretariat to use the results of the DNA survey on standardized baselines to prioritize the work on the development of standardized baselines via the top-down process with the full involvement and agreement of the respective DNAs, keeping in view the availability of data and the value addition that standardized baselines will bring to potential CDM projects in a sector.
 - (b) EB 79 mandated that the secretariat and Methodologies Panel to jointly prepare an analysis of options with regard to the development of sector-wide emission factors through a combination of measure-specific standardized baselines;

- (c) EB 81 (at para 48 of the meeting report) requested the secretariat and the Methodologies Panel to work further on the SB standard including:
 - (i) Assessing the applicability of the proposed framework to different project types and sectors, considering which of the three approaches used (market penetration, performance, costs/barriers) may be suited for which project types and sectors;
 - (ii) Also exploring other approaches for standardization highlighted in literature, especially, but not limited to a possible process-oriented approach like the development of the performance standard;
 - (iii) Using the current thresholds as default and considering whether different thresholds values may be more appropriate for specific project types.
- 10. The products to be delivered under this project in 2015 are covered in section 6 of the document. They have been identified taking into account the work that has been finalized, the outstanding deliverables, as well as, the new Board and CMP mandates.

2. Project aims

- 11. This project aims to complete the regulatory framework of standardized baselines with the development of its outstanding elements. The implementation of outstanding elements will improve the framework by incorporating the lessons learned from the application of existing components of the framework and through the implementation of Board and CMP mandates. The development and implementation of the standardized baselines framework will reduce transaction costs, enhance transparency, objectivity and predictability of the CDM, as well as, facilitate access to the CDM, particularly with regard to underrepresented project types and regions. It will contribute in scaling-up the abatement of GHG emissions, while ensuring environmental integrity.

3. Key issues and proposed solutions

- 12. The following are the key issues and proposed solutions for further work in 2015.

3.1. Key issues under category-1

- 13. Some outstanding components of the standardized baselines framework (e.g. database on efficiency and cost of technology, the development of guideline for sector-wide emission factor, data templates for the collection of the data relevant to the development of standardized baselines) are yet to be developed.
- 14. The existing SBs guideline has been adopted and made available for implementation by stakeholders, however the lessons learned from its implementation and consideration are yet to be incorporated into the framework.
- 15. The appropriateness of market penetration, performance, costs/barriers approach to different project types and sectors needs to be analysed.
- 16. The approved default thresholds for additionality and baseline are perceived by many stakeholders and SB developers as unattractive and not suitable in particular the national/regional/sectoral specific circumstances. Stakeholders and SB developers are

of the view that one threshold applicable for most of the projects and for all regions cannot work.

17. Some stakeholders are of the view that the applicability of the current standard for the development of standardized baselines is too broad. They propose to explore the possibility of developing other standards that will cover some specific types of projects/sectors and limit the applicability of the current standard.

3.2. Proposed solutions for issues under category-1:

18. Assess the current approach of a combination of market penetration, performance, costs/barriers for the development of SBs in the context of different project types and sectors and recommend further improvements if applicable.
19. Based on the assessment done above and lessons learned from the implementation of the SB guideline, develop/ revise the relevant documents of the SB framework.
20. Explore the possibility of developing country specific thresholds on baseline and additionality of SBs for under-represented countries/sectors in order to account for national/regional/sectoral circumstances in CDM baselines.
21. Develop a simplified methodological framework for two specific under-represented project types.
22. Develop a methodological framework for deriving sectoral emission factor in selected strategically important sectors.

3.3. Key issues under category-2

23. A major lesson learned from the experience of SB developers, as well as from SB evaluation, reveals the importance of the availability and credibility of data for developing SBs. The data-intensive requirements of SBs have been recognized as a major challenge by SBs developers.
24. The existing SB procedure does not cover the lessons learned from its application, in particular the provisions for DNAs to request a deviation from requirements of a standard to develop SB.
25. It was identified through the survey of DNAs conducted in 2014 that several DNAs are willing to develop standardized baselines in diversified sectors if the Board supports their development by offering assistance.

3.4. Proposed solutions for issues under category-2:

26. It is proposed to facilitate the data collection process and assist SBs developers in the development of positive lists of technologies for SBs by developing databases on cost and efficiency of technologies, based on the demand of DNAs for SBs. Several DNAs expressed a wish to develop SBs in different sectors, which can catalyse the work on data collection. It is also established that pre-approved data templates will be helpful for SB developers for data compilation and processing.
27. It is proposed to streamline and broaden the SB procedure in order to provide further flexibility to submitters of SBs.

28. Develop the sector-specific SBs for the DNAs that have requested support from the Board keeping in mind the availability of data and the value addition that standardized baselines will bring to potential CDM projects in the sector.

4. Desired outcomes and impacts

29. The development and implementation of the standardized baselines regulatory framework will reduce transaction costs, enhance transparency, objectivity and predictability of the CDM, as well as facilitate access to the CDM, particularly with regard to underrepresented project types and regions. It will contribute also in scaling-up the abatement of GHG emissions, while ensuring environmental integrity.
30. The expected benefits of the specific components of the project and indications of the situation prior to the existence of these components are as follows:

Ref.	Expected benefits	Situation prior to the project
BEN-01	Improvement in the SB guidelines will provide more clarity to SB developers and DNAs, and will facilitate development of SBs in a wider range of sectors.	Stakeholders have indicated that there is great potential for improvement in the existing SB guidelines.
BEN-02	The use of the database on efficiencies/costs of technologies will reduce the costs and efforts associated with the intensive data collection process for individual SB developers	Experience gained with SB development reveals that the data collection process is a major difficulty.
BEN-03	Development of country-specific thresholds for project types/sectors will improve the attractiveness of SBs, while ensuring environmental integrity	Feedback received from various stakeholders and SB developers is that the existing default thresholds (80% and 90% of output of the sector) are stringent and not attractive for CDM projects.
BEN-04	Revision of SB procedure will broaden its provisions by including a process for submission and consideration of deviations.	Current regulatory framework does not provide the opportunity for SB developers to request a deviation.
BEN-05	Stakeholders will benefit from the awareness and communication on the full potential of CDM improvements that SBs will bring in future.	At present various stakeholders are awaiting for key CDM improvements to take place, which can bring down its complexity and cost. Limited activities/measures have been undertaken to empower stakeholders to develop and use SBs.

Ref.	Expected dis-benefits	Situation prior to the project
DISBE N-01	More costs and efforts by the regulators in developing SBs	Higher costs to the implementers of projects and programmes of activities due to lack of standardization of requirements
DISBE N-02	Effort and costs for data collection could be high for DNAs and/or the Board.	At present project participants bear the cost of data for determination of baseline and additionality of each project.

4.1. CMP deliveries

31. The project addresses the following CMP mandates, and may require the Board to report back to the CMP on the progress of work with regard to this CMP request:
- (a) CMP 6 (decision 3/CMP.6, para 46) requested the Board to develop SBs, as appropriate, in consultation with relevant DNAs, prioritizing methodologies that are applicable to LDCs, SIDS, Parties with 10 or fewer registered CDM project

activities as of 31 December 2010 and underrepresented project activity types or regions, inter alia, for energy generation in isolated systems, transport and agriculture;

- (b) The CMP 9 (decision 3/CMP.9, para13) requested the Board to expedite its work on the development of country-specific baseline and additionality thresholds for sectors in countries underrepresented in the clean development mechanism, in coordination with those countries.
32. The project will fulfil the mandate by: (i) supporting the development of standardized baselines in consultation with relevant DNAs; (ii) developing proposals for deriving country specific thresholds on baseline and additionality of SBs for under-represented countries/sectors.

5. Product/milestones and timelines

33. IN1. Report on the road testing of the current approaches in the SB guidelines (Product: Report on the results of road-testing the current approaches)

This product is on-going since 2014 and the first draft of the report was presented to EB 81. The report on the lessons learned from the implementation of SB guidelines and from testing of the revision of the SB guidelines will be further refined. The report will be submitted to Board along with revised SB guidelines (refer to IN3). The work involves:

- (a) Incorporating feedback from EB 81 on the draft report;
 - (b) Continuing on-going compilation of data and lessons learned from approved and proposed SBs and other available sources;
 - (c) Consulting with Methodologies Panel at its 68th meeting (MP 68) on lessons learned from the existing regulatory framework and elements of the revision of the SB guideline in order to submit the report for consideration by EB 87.
34. IN2. Concept note(s) on proposals for revision of provisions of the SB guideline:
- (a) Develop concept note(s) addressing issues identified as per paragraph 48 of the EB 81 meeting report, including:
 - (i) Assessing the applicability of the proposed framework to different project types and sectors, considering which of the three approaches used (market penetration, performance, costs/barriers) may be suited for which project types and sectors;
 - (ii) Also exploring other approaches for standardization highlighted in literature, especially but not limited to a possible process-oriented approach like the development of the performance standard;
 - (iii) Using the current thresholds as default and considering whether different thresholds values may be more appropriate for specific project types;
 - (b) Present the concept note(s) to MP 66 and MP 67 and prepare a joint recommendation for consideration of EB 85.

35. IN3. Revision of SB guideline:

This product is on-going since 2014 and the second draft of the revised SB guideline was presented to EB 81. The further revision of the SB guideline involves the following elements:

- (a) Include the feedback from EB 81 on the draft revised SB guideline and reflect the Board's guidance obtained regarding the concept note (see IN2);
- (b) Present the revised SB guidelines to MP 68 and prepare a joint recommendation for consideration and possible adoption at EB 87;
- (c) After adoption of revised the SB guideline (renamed as the SB standard) the relevant forms will be revised accordingly.

36. IN4. Database on cost and efficiency of technologies, depending on the demand from DNAs (Product: Two reports to the Board):

The work will essentially facilitate the development of standardized baselines and it involves the following elements.

- (a) Analyse the demand from DNAs to develop a database for specific sectors for which they wish to develop SBs. Identify the sectors and countries where data collection can be prioritized. A report will be submitted to EB 85 on the sectors prioritized by DNAs for development of the database;
- (b) Identify various data sources, interact and consult with international industry associations/international organizations in prioritized sectors for which data collection is required to be done;
- (c) Develop the structure of the database and collect the information and data for inclusion in a database, as per demand of DNAs. The regional collaboration centres (RCCs) will play a significant role for collection of the demand from DNAs and sectoral data, if available;
- (d) Report to EB 86 on the work in progress.

37. IN5. Concept note for the development of two standards with a methodological framework for two specific project types/sectors:

This product is on-going since 2014 and MP 64 and 45th meeting of the Small-Scale Working Group (SSC WG 45) have initiated the work of identification of two specific project types/sectors. Further work involves the following elements.

- (a) Facilitate the selection of two project types/sectors for which a methodological framework is required to be developed;
- (b) Develop concept note jointly with MP 67/SSC WG 48 and present it to EB 85.

38. IN6: Two standards with a methodological framework for two specific project types/sectors:

Based on the Board's guidance on above the concept note (see IN5) the work will involve the following elements.

- (a) Develop the methodological framework applicable for the two selected project types/sectors jointly with MP 68/SSC WG 49 and launch a call for public inputs, consult with relevant experts, incorporate the feedback in the document and submit it to MP/SSC WG in 2016;
- (b) Prepare joint a recommendation with MP/SSC WG for adoption by the Board in 2016.

39. IN7. Country-specific thresholds for specific project types/sectors:

The analysis under the concept note will assess the appropriateness of current default thresholds and the necessity of different thresholds for specific project types/sectors. The work will include:

- (a) Data mining from existing CDM sources for various project types for which different thresholds are found to be necessary;
- (b) Preparing draft guidelines for determining the thresholds for specific project types/sectors and evaluating jointly with MP 68 for consideration by EB 87;
- (c) Incorporating EB 87 feedback and preparing a joint recommendation with Methodologies Panel for adoption by the Board in 2016;
- (d) Based on the demand of DNAs, explore the possibility of applying the adopted guidelines to derive country-specific thresholds for specific project types/ sectors. RCCs will play a significant role for collection of the demand from DNAs and sectoral data, if available.

40. IN8 Concept note on analysis of options for developing sector-wide emission factors.

EB 79 mandated the secretariat and MP jointly prepare an analysis of options with regard to the development of sector-wide emission factors through a combination of measure-specific SBs. The work involves:

- (a) Obtaining MP 66 agreement on the list of sectors for which sectoral emission factors should be developed;
- (b) Soliciting expert inputs from practitioners and sector experts on the possible approaches for deriving sectoral emission factors for selected sectors;
- (c) Preparation of a concept note on the options with regard to the development of sector-wide emission factors through a combination of measure-specific SBs jointly with MP 67 for consideration by EB 85;
- (d) Depending on guidance from EB 85, undertake further work mandated including the option of developing guideline on determining sector-wide emission factor and preparing joint recommendation with MP 68 for consideration and adoption of EB 87.

41. IN9. Revision of procedure on the development, revision, clarification and update of standardized baselines (SB procedure)

The revision is aimed at broadening and streamlining the SB procedure. The revised procedure will be submitted for consideration at EB 83 and EB 84. In addition to the

streamlining of the SB procedure based on lessons learnt the work will involve the following:

- (a) Include the procedure of deviation from the requirements of guideline/methodology/tool while developing SBs;
- (b) Include the elements to clarify the difference between revision and clarification and other related aspects agreed at EB 78;
- (c) Following the approval of the revised SB procedure by the Board, the form for submission of proposed standardized baselines will be revised.

42. IN10. Support to the development of six standardized baselines

- (a) The following SBs are identified for support:
 - (i) Three SBs in cookstove sector (one each in collaboration with the DNA of Malawi, Burundi and Kenya);
 - (ii) One SB for the brick sector in collaboration with the DNA of Peru and kFW;
 - (iii) One SB for the afforestation and reforestation (A/R) sector in collaboration with the DNA of Namibia;
 - (iv) One SB for the clinker/cement sector in collaboration with the DNA of Peru.
- (b) The development of these SBs will require receiving formal agreements from DNAs, preparation of SB development plans, development of data templates and data delivery protocols and making them available on the CDM website, data collection, quality check, data analysis and processing. The SBs will be developed and submitted for the Board's approval following the procedure on the development, revision, clarification and update of standardized baselines.

Major milestone / product	After completion of the following products	Date/Board meeting
IN2 Concept note(s) on proposals for revision of the SB guidelines	<ul style="list-style-type: none"> Develop concept note(s) addressing issues raised by EB 81; Prepare joint recommendations with MP 67 	EB 85
IN5 Concept note for development of two standards with a methodological framework for two specific project types	<ul style="list-style-type: none"> Prioritize the project types based on MP/SSC WG decision on selection of project types; Prepare joint recommendation with MP 67/SSC WG 48 	EB 85
IN9 Revision of the SB procedure	<ul style="list-style-type: none"> Prepare revision of the procedure on development, revision, clarification and update of SB to streamline and broaden the procedure 	EB 83
IN9 Revision of the SB procedure	<ul style="list-style-type: none"> Reflect the feedback of EB 83 on the proposed revision of SB procedure 	EB 84
IN3 Revision of SB guidelines	<ul style="list-style-type: none"> Revise the SB guidelines to incorporate EB 81 feedback and EB guidance on Concept note on road-testing (IN2) Prepare joint recommendations with MP68 	EB 87
IN1 Report on the road testing of the current approaches in the SB guidelines	<ul style="list-style-type: none"> Revise the draft Report on the results of road testing of the current approaches incorporating EB 81 feedback; Jointly prepare the draft Report with MP 68 	EB 87
IN8a Concept note on the options to develop sector-wide emission factor	<ul style="list-style-type: none"> Obtain MP 66 agreement on list of sectors for developing sector-wide emission factors Solicit experts input and prepare draft concept note Prepare concept note jointly with MP 67 	EB 85
IN4a Reports on the development of database on cost and efficiency of technologies	<ul style="list-style-type: none"> Explore DNAs demands on database for specific sectors; Prepare and submit report on the scope of the database to be developed and populated based on the demand expressed by DNAs 	EB 85

IN4b Reports on the development of database on cost and efficiency of technologies	<ul style="list-style-type: none"> • Develop the structure of the database and identify data sources; • Prepare report on the status of the work on populating the database (to be populated based on the above referred demand expressed by DNAs) 	EB 86
IN6 Two standards with a methodological framework for two specific project types	<ul style="list-style-type: none"> • Develop jointly with MP 68 and/or SSC-WG 49 the methodological framework applicable for two selected project types; • Launch a call for public inputs; • Prepare joint recommendation for adoption by the Board after public inputs in MP and/or SSC-WG for 2016 	2016
IN7 Draft Guidelines for determining country-specific thresholds for specific project types/sectors	<ul style="list-style-type: none"> • The preparation of draft Guidelines depends on the Board's guidance to the concept note under product # IN2. • Prepare joint recommendations with MP 67 for EB87. • Revise draft Guidelines for determining thresholds for specific project types/sectors incorporating EB 87 feedback; • Prepare joint recommendation with Meth Panel in 2016 	EB87 and EB meeting in 2016
IN8b Draft Guidelines on determining sector-wide emission factors	<ul style="list-style-type: none"> • The elaboration of Draft Guidelines on determining sector-wide emission factors depends on the EB 85 feedback on the concept note on the options for development of sector-wide emission factors; • Prepare joint recommendation with MP 68 	EB 87
IN10 Support to the development of six standardized baselines	<ul style="list-style-type: none"> • Submission of SBs for Board's approval. As per procedure the SB approval takes place on a no-objection basis. 	Any SB to be presented to Board meeting upon receipt of objection by Board member/s.

6. Recommendations to the Board

43. The secretariat recommends that the Board approves the work proposed under this project.

Document information

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