

CDM-EB-83-AA-A07

Concept note

New project activity in the same physical or geographical location at which a project activity whose crediting period has expired existed

Version 01.0



United Nations
Framework Convention on
Climate Change

TABLE OF CONTENTS	Page
1. PROCEDURAL BACKGROUND.....	3
2. PURPOSE	4
3. KEY ISSUES AND PROPOSED SOLUTIONS	4
4. IMPACTS.....	6
5. SUBSEQUENT WORK AND TIMELINES.....	6
6. RECOMMENDATIONS TO THE BOARD	6

1. Procedural background

1. The issue of the establishment of a new clean development mechanism (CDM) project activity (PA) in the same physical or geographical location at which a CDM PA, whose crediting period has expired, previously existed was initially raised through a request for clarification by a project participant, AM_CLA_0249: “Suitability of “ACM0001: Flaring or use of landfill gas” (version 13) for an unplanned expansion of a CDM project activity”, i.e. where a “new landfill” is constructed on top of a closed landfill registered as a CDM PA with a fixed crediting period that expired in December 2012 (project 0027).
2. The Methodologies Panel, at its 60th and 61st meetings, assessed the issue and requested the CDM Executive Board (the Board) to provide policy guidance.¹ However, the Board at its seventy-sixth meeting (EB 76) was not able to come to a conclusion and agreed to seek guidance from the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP)² on whether a new mitigation activity at the same physical/geographical site of a registered CDM PA whose crediting period has expired can be considered a new PA eligible to apply for registration under the CDM.
3. The CMP, through decision 3/CMP.9, paragraphs 15–17, decided as follows and requested the Board to report back as appropriate:
 - “15. Confirms that, after the expiry of its crediting period, a project activity or programme of activities that has been registered as a clean development mechanism project activity or programme of activities may not be re-registered as a new clean development mechanism project activity or programme of activities;
 - “16. Recognizes that a new project activity or component project activity could be registered at the same physical or geographical location at which a project activity or component project activity whose crediting period has expired existed, if the new project activity or component project activity is not a continuation or modification of the old project activity or component project activity;
 - “17. Requests the Executive Board to report to the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol at its tenth session on the implementation of paragraph 16 above, including on criteria established to determine whether a project activity or component project activity is a continuation or modification of another project activity or component project activity, and, if necessary, to also make recommendations on possible changes to the modalities and procedures for the clean development mechanism”.
4. The Methodologies Panel, at its 63rd meeting, considered a concept note on this issue prepared by the secretariat and proposed that the secretariat explore a way to define what is a “continuation or modification” of an old PA or a component project activity

¹ Methodologies Panel 61st meeting report, annex 10.

² Paragraph 44 of EB 76 report.

(CPA) under a programme of activities (PoA) in addition to discussing the policy issues identified in this paper.

5. At EB 81, the Board requested the Methodologies Panel to:
 - (a) Continue considering the matter related to a new project in the same physical or geographical location at which a project whose crediting period has expired and requested the Methodologies Panel in particular to define the terms used (e.g. site);
 - (b) Distinguish between cases that require requests for clarification and those that do not; and
 - (c) Provide a clearer definition of a new project as opposed to the continuation/modification of an existing project.

2. Purpose

6. This paper serves as an input for members and alternate members of the Board to approve the relevant definitions and mandate the revision of regulatory documents to respond to the CMP request.
7. This document aims to:
 - (a) Define when a proposed CDM PA/CPA can be considered a new PA/CPA and is not a continuation or modification of PA or CPA;
 - (b) Define when project proponents should seek a request for clarification from the Methodologies Panel or Small-Scale Working Group;
 - (c) Assess and report which changes to the modalities and procedures for the CDM³ are required.

3. Key issues and proposed solutions

8. Based on the decision by the CMP, it is evident that a new CDM PA/CPA may be registered in the same geographical location of an existing CDM PA/CPA whose crediting period has expired (hereinafter referred to as “former project”, see para. 17(b)(ii) below) if it can be demonstrated that it is not a continuation or modification of the former project.
9. The secretariat and the Methodologies Panel analysed different situations that may arise from implementing a PA/CPA at the same geographical location of a former project, and concluded on the definitions and criteria for determining whether a proposed CDM PA/CPA is a new PA/CPA.

³ Decision 3/CMP.1, annex; decision 4/CMP.1, annex II; decision 5/CMP.1, annex; and decision 6/CMP.1, annex.

10. Based on the analysis, the following criteria have been identified to assess whether a proposed CDM PA/CPA is a new PA/CPA:
 - (a) Whether the same measure is used to reduce greenhouse gas (GHG) emissions, for example: fuel/feedstock switch, technology switch, methane destruction and methane avoidance, etc.;
 - (b) Whether the same technology (or technologies) is/are used;
 - (c) Whether the same assets are used;
 - (d) Whether the proposed PA/CPA provides the same output, for example a PA/CPA which is utilizing waste heat for electricity generation changes the use of waste heat to drying;
 - (e) Whether the same resource type is used, for example a by-product of the HCFC22 production facility is used in both the existing and the new PA/CPA.
11. The analysis reveals that in all situations except for a CDM PA/CPA that is clearly a new PA/CPA, it is necessary to consider the impact on baseline, additionality, and leakage effect as a result of displacement of a former project prior to the conclusion of its technical lifetime, in order to determine whether a proposed CDM PA/CPA is deemed a new PA/CPA. A guidance document to help project participants and coordinating/managing entities in this respect may be needed.
12. The analysis also reveals that in order to implement the request from the CMP, additional reporting requirements/procedural changes may be required.
13. The CMP requested the Board to report on "...criteria established to determine whether a project activity or component project activity is a continuation or modification of another project activity or component project activity". This was addressed by:
 - (a) Proposing definitions and criteria for determining whether a proposed CDM PA/CPA is a new PA/CPA;
 - (b) Proposing a procedure to clarify prior to registration whether a proposed CDM PA/CPA is a new PA/CPA in all other cases that do not meet the above definitions and criteria;
 - (c) Proposing new reporting requirements on information about former projects.
14. The CMP further requested the Board "if necessary, to [...] make recommendations on possible changes to the modalities and procedures for the clean development mechanism". This is not considered necessary for approving the definitions of and criteria for what is considered a clearly new PA/CPA. However, further work for the case of a PA/CPA that is not clearly a new PA/CPA will require guidance on baseline, additionality, and leakage. Based on the outcome of developing such guidance, it may or may not require changes to the CDM modalities and procedures. At this point, this work has not been conducted. It may also be noted that the current assessment is limited to those locations where a former project existed and whose crediting period has expired.

4. Impacts

15. Following the successful completion of this work Project participants and coordinating/managing entities will have clarity on the eligibility of a new PA/CPA being proposed under the CDM at the geographical location of a former project.

5. Subsequent work and timelines

16. The following work is planned if the Board agrees with the recommendations in paragraphs 17 and 18 below:
 - (a) The secretariat will revise the relevant regulatory documents including the CDM project standard (PS), CDM validation and verification standard (VVS), project design document (PDD) form and CPA design document (CPA-DD) form by including relevant definitions, reporting requirements, etc. for adoption by the Board at a future meeting;
 - (b) The secretariat will develop guidance in consultation with the Methodologies Panel to address issues such as baseline, additionality, and leakage emissions for cases where it cannot be clearly identified whether a proposed PA/CPA is to be considered a new PA/CPA;
 - (c) The Board will report the outcome of this work in its annual report to the CMP.

6. Recommendations to the Board

17. The Board may wish to agree on the following:
 - (a) The definition of what is a new PA or CPA:

“A proposed CDM PA/CPA in the geographical location of a former project is considered a new PA/CPA if its implementation would not lead to the displacement of the former project if it continues to result in greenhouse gas mitigation and if any of the following applies:

 - (i) It utilizes both a different measure and a different technology than the former project (e.g. a landfill site is converted into a wind park); or
 - (ii) It does not share or utilize any of the assets of the former project; or
 - (iii) It utilizes a different resource type compared to the former project (e.g. wind park converted to solar power generation).”;
 - (b) Definitions for identifying what is a new PA or CPA:
 - (i) Assets – could be physical, i.e. project equipment or non-corporeal such as permits and exclusive position in legislation. Assets are essential to the implementation of a PA/CPA. The definition of Asset in this case excludes land;
 - (ii) Former project – registered CDM PA/CPA whose crediting period has expired and has the same geographical location as the proposed PA/CPA;

- (iii) Measure⁴ – a broad class of greenhouse gas (GHG) emission reduction activities that possess common features. A PA/CPA can include single or multiple measures. The measures are:
 - a. Fuel and/or feedstock switch;
 - b. Switch of technology with or without change of energy source;
 - c. GHG destruction;
 - d. GHG formation avoidance;
- (iv) Resource type – categories of goods, energy and energy carrier which are supplied into the project location and are required for the implementation of the PA/CPA, such as fossil fuel, by-product of a process, biomass, solar, wind, geothermal heat;
- (v) Technology⁵ – two different CDM PAs/CPAs are considered to be of the same technology if they:
 - a. Provide the same kind of output and use the same kind of equipment and conversion process; or
 - b. Undertake the same course of action which results in the same kind of effect (e.g. two projects using the same management practice such as fuel switching);
- (c) In situations where a proposed CDM PA/CPA established on the geographical location of a former project does not meet the requirements of “new project” set out in paragraph 17(a) above, project participants, coordinating/managing entities or designated operational entities (DOEs) shall seek clarification in accordance with the “Procedure: Development, revision and clarification of baseline and monitoring methodologies and methodological tools”;⁶
- (d) The secretariat shall add new reporting requirements in the relevant regulatory documents for a DOE to declare (in the validation report) information on the existence of former project in the same geographical location⁷ of the proposed CDM PA/CPA;
- (e) The secretariat shall identify and submit relevant revisions to the CDM regulatory documents for consideration and adoption at a future meeting of the Board to implement the above recommendations.

⁴ “Guidelines for determining baselines for measure(s)” EB69 annex 21, <http://cdm.unfccc.int/Reference/Guidclarif/meth/meth_guid50.pdf>.

⁵ Derived from the “Glossary of CDM Terms” <http://cdm.unfccc.int/Reference/Guidclarif/glos_CDM.pdf>.

⁶ EB70 report, annex 36.

⁷ The geographical location does not include non-project-specific equipment such as the electricity grid and district heating. It also does not apply to distributed unit projects in which the project boundary consists of a region.

18. The Board may wish to request the secretariat and the Methodologies Panel to jointly develop further guidance to address issues related to baseline, additionality and leakage for a PA/CPA that does not fall under the definition of a new PA/CPA referred to in paragraph 17(a) above.

- - - - -

Document information

<i>Version</i>	<i>Date</i>	<i>Description</i>
01.0	30 March 2015	Initial publication as an annex to the annotated agenda of EB83.
Decision Class: Regulatory		
Document Type: Information note		
Business Function: Regulatory		
Keywords: data collection and analysis, project activities, project boundary, project eligibility, recommendations from executive advisory bodies		
