

**CDM-EB78-AA-A01**

## Concept note

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# Analysis of the net mitigation potential of CDM

Version 01.0



**United Nations**  
Framework Convention on  
Climate Change

## **1. Procedural background**

1. The Executive Board of the clean development mechanism (hereinafter referred to as the Board) via its 2014 management plan (CDM-EB76-A01) (Table 7, Objective 2(c)) adopted at its seventy-sixth meeting and its 2014 workplan (CDM-EB77-A01) adopted at its seventy-seventh meeting decided to conduct an analysis of the net mitigation potential of registered clean development mechanism (CDM) projects and consider a concept note on options for achieving net mitigation via the CDM at its seventy-eighth meeting to determine further work to be done.

## **2. Purpose**

2. To facilitate the increase of net mitigation of the CDM, the purpose of this concept note is to agree on an approach which will be used to determine:
  - (a) The extent to which the CDM may lead to net mitigation beyond reported (validated) mitigation potential by the designated operational entities (DOEs) through registered project design documents (PDDs); and
  - (b) How CDM can contribute (future) to achieving net mitigation.

## **3. Key issues and proposed solutions**

3. In order to assist in broadening the demand for, and participation in the CDM, enhance the public image and reputation of the CDM and its positioning as a useful toolbox for international mechanisms, the Board agreed to analyse: (i) the potential of net reduction (mitigation) for registered CDM projects beyond what is reported (validated) by the DOEs through registered PDDs; and (ii) how CDM can catalyse achieving the net mitigation beyond the CDM project activities.
4. Analysis of the net mitigation potential of the CDM - the proposed elements for the analysis and its limitations are highlighted below:
  - (a) Beyond crediting period – an analysis to determine the mitigation potential of a registered CDM project which started prior to or continuing after the defined crediting period. This effect is currently not quantified. While projects that invest in long-lived capital stock with net revenues (e.g. renewable energy projects) will be more likely to yield emission reductions beyond the length of the crediting period. Establishing whether these projects are even operating or will be reducing emissions during a post-crediting period (or beyond, if the facility continued beyond its stated operational lifetime) would require a full and new assessment of what the baseline emissions would otherwise would be in this period. Further, it would also require the definition of monitoring, reporting and verification beyond the crediting periods to maintain the environmental integrity of the determined net mitigation potential. This analysis could also foresee the need to prolong the monitoring and reporting beyond length of the crediting period for the generation of net mitigation and its accountability through adjustments to the CDM modalities and procedures;
  - (b) Discounting – current CDM provisions (Validation and verification standard, version 05.0, paragraphs 253 and 266) have a concept of discounting in case the project participants have deviated from the registered monitoring plan and/or

methodology or permanent changes are leading towards a reduction in the accuracy of the calculation of emission reductions for a registered project to ensure that emission reductions will not be overestimated as a result of the deviation/permanent changes. Due to this, a certain percentage of reductions might not be awarded as reduction units and the difference between the achieved reductions and the issued units might have the potential of net mitigation. However, this type of net mitigation potential also has limitations with regard to the validity of these units above discounting, and its reporting and verification to maintain environmental integrity. This analysis could also foresee the introduction of the concept of discounting in various CDM methodologies to account for uncertainty in measured or monitored emissions;

- (c) Over-conservativeness – various CDM methodologies have detailed requirements for data sources, default parameters, adjustment factors and formulae to ensure that a CDM project does not claim more reduction units than the actual reductions achieved. The application of default parameters and adjustment factors in various CDM methodologies adds simplicity and accounts for unavoidable uncertainty in connection with calculation and monitoring. A conservative approach has the mitigation potential impact when safety deductions exceed scientifically justified levels or an over-conservative approach. However, defining over-conservativeness has limitations since: (i) it might not be feasible to determine real baseline emissions, and even if determined they will have uncertainty; (ii) it is difficult to define scientifically justified reductions for all types of projects and for all regions; and (iii) it might be non-transparent. This analysis could also foresee the need for frequently revisiting the conservative approaches as outlined in various CDM methodologies as and when new information and adjustment factors are available.
5. Analysis on options for achieving net mitigation – it is envisaged that CDM contribute to national-level technology diffusion (i.e. the replication of, and capacity-building for, the technology beyond the CDM project itself). This has not been evaluated to any great extent till date, but some of the host parties applying this criterion host a large number of CDM projects, indicating that technology diffusion should be common, at least in these countries. Capabilities to contribute to net mitigation might increase over time for mitigation activities in existing projects types, for example after experiences became available and technology costs decreased. A short analysis for a limited region (such as Africa) could be performed to analyse how CDM could catalyse (future) the net mitigation through technology diffusion and know-how beyond the CDM project activities.

## **4. Impacts**

6. The proposed work will offer a consolidated perspective on the subject of net mitigation in the CDM useful for communications, external queries, outreach, partnership activities as well as informing policymakers. Key messages to stakeholders may need to be aligned.

## **5. Subsequent work and timelines**

7. The work is planned to commence in the second half of 2014 and will be preceded by a call for inputs from stakeholders. The analysis will be available for consideration by the Board at its eighty-second meeting.

## 6. Budget and costs

8. The work is indicated in the CDM management plan (Table 7, Objective 2(c)) and planned with 4.0 staff months.

## 7. Recommendation to the Board

9. The secretariat recommends that the Board consider the information presented in this concept note and agree on:
- (a) The scope of the analysis; and
  - (b) The call for public inputs to be launched at its seventy-eighth meeting.

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### Document information

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