

**CDM-EB99-AA-A07**

## Concept note

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# Simplification of the process for the development and approval of standardized baselines

Version 01.0



**United Nations**  
Framework Convention on  
Climate Change

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## 1. Procedural background

1. The Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP) in its decision 3 CMP.13, paragraph 1, requested the Executive Board of the clean development mechanism (CDM) (hereinafter referred to as the Board) to continue to simplify the process for the development and approval of standardized baselines (SBs) and to support designated national authorities (DNAs) in developing SBs upon the request of the DNAs.
2. This work relates to the activity “Further development of standardized baselines framework” under objective 1(c) “Develop simplified and user-friendly standards and procedures that increase efficiency and ensure environmental integrity” with a resource allocation as referred to in table 5 on page 16 of the CDM two-year business and management plan 2018–2019 (EB97, annex 1).
3. This concept note was prepared by the secretariat, based on the lessons learned and input from the Methodologies Panel (MP) (see appendix 1).

## 2. Purpose

4. The purpose of this concept note is to present the potential areas for simplification of the process for the development and approval of SBs and other areas for improvement in the regulatory documents related to SBs.

## 3. Key issues and proposed solutions

5. The existing standards, guidelines and procedures related to the development and approval of SBs include:<sup>1</sup>
  - (a) “Procedure: Development, revision, clarification and update of standardized baselines” (**SB procedure**);
  - (b) “Standard: Determining coverage of data and validity of standardized baselines” (**SB data standard**);
  - (c) “Guideline: Quality assurance and quality control of data used in the establishment of standardized baselines” (**QA/QC guideline**).
6. The following issues were identified for potential areas for simplification of the process and other improvement to the regulations relating to SBs.

### 3.1. Issue 1: Costly and cumbersome standardized baseline procedures, in particular, the requirement of an assessment report

#### Issue summary

7. Under the bottom-up process, the DNA submitting a proposed standardized baseline (SB) shall submit an assessment report prepared by a designated operational entity (DOE)

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<sup>1</sup> There is a separate area of work for the revision of the “Guidelines for the establishment of sector specific standardized baseline” under project 100 in the CDM Executive Board workplan 2018.

contracted by either the DNA or any other entity under the agreement with the DNA. The SB procedure provides **options to receive financial support<sup>2</sup> from the secretariat** for preparing an assessment report **or decide to omit an assessment report.**<sup>3 4</sup> In the latter case, as per paragraph 18 of the SB procedure, the secretariat shall prepare an assessment report.

8. The information on the above options used by DNAs for **38 approved SBs (ASBs)** is provided below:
  - (a) DNAs submitted assessment reports prepared by DOEs: **4 ASBs<sup>5</sup>**;
  - (b) DNAs decided to omit assessment reports (thus prepared by secretariat): **22 ASBs**;
  - (c) DNAs requested to receive financial support: **0 ASB**;
  - (d) Assessment reports were not required (no data collection/processing): **6 ASBs**;
  - (e) Assessment reports were not prepared because of top-down development: **6 ASBs**
9. The following issues were identified in this regard:
  - (a) The assessment report will include the positive assessment opinion of the DOE on the (a) compliance of the quality assurance and quality control system with the provisions and data quality objectives of the QA/QC guideline; and (b) compliance of the proposed SB with the selected approach(es) to develop the SB. **Preparation of the assessment report by a DOE is mostly done through its desk review** of the submitted proposed SB using the form CDM-PSB-FORM and other additional documentation supporting the submission (e.g. relevant data and documents including a quality control report, statistics, studies, etc.). Based on the experience of the secretariat, **there may be a redundancy in the work carried out by the**

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<sup>2</sup> As per paragraph 16 of the SB procedure, if the DNA is of a Party that had 10 or fewer registered CDM project activities as of 31 December 2010, or represents a group of Parties, each of which had 10 or fewer registered CDM project activities as of 31 December 2010, the DNA may apply for funding from the secretariat for the DOE to prepare the assessment report in accordance with the modalities described in appendix 2 to the SB procedure.

As per paragraph 5 of appendix 2 to the SB procedure, the secretariat shall grant the funding for **the first three** funding requests for each Party that is eligible for funding in accordance with paragraph 1 of that appendix.

<sup>3</sup> Footnote 4 of the SB procedure clarifies that an assessment report is not required to contain the positive assessment opinion on the compliance of quality assurance and quality control system with the provisions and data quality objectives of the QA/QC guidelines, in the cases where no data collection/processing is required to establish the proposed SB (e.g. since a proposed SB for landfill gas destruction developed in accordance with the SB guidelines requires information only on regulations for the mandatory destruction level, no data collection/processing is required).

<sup>4</sup> As per paragraph 18 of the SB procedure, the assessment report may be omitted if the Party had 10 or fewer registered CDM project activities as of 31 December 2010, or a group of Parties, each of which had 10 or fewer registered CDM project activities as of 31 December 2010 and has not availed itself of the option to omit the assessment report **more than twice** in past submissions of a proposed standardized baseline, decides not to submit the assessment report.

<sup>5</sup> Out of 38 approved SBs, the assessment report was prepared by DOEs only for 4 approved SBs (i.e. ASB0001, ASB0008, ASB0026 and ASB0027).

**DOE and the secretariat/MP**, since the secretariat and the two selected members of the MP will also conduct a thorough assessment during the SB development process;

- (b) It is also noted that the SB procedure does not require the preparation of an assessment report under the top-down process;
  - (c) **The options** mentioned in paragraph 7 above **are provided only for development of a new SB, not for a revision or update of an approved SB.** This makes it financially difficult for a DNA to propose a revision or an update of an approved SB. This is particularly an issue for updates of SBs, since all SBs have a valid period (of three years by default, with possible shorter or longer period), and after the expiry of this period, they can no longer be used. This would hamper the development of CDM project activities/programmes of activities (PoAs) in the country/sector for which SBs have been developed;
  - (d) **Financial support is the big concern to DNAs for the development/revision/update of SBs.** Only a few of the approved SBs have been updated, due to the cost associated with preparation of an assessment report (see appendix 2);
  - (e) While eligible DNAs may receive financial support for preparing an assessment report for the first three submissions (see para. 5 of appendix 2 to the SB procedure), DNAs may also decide to omit an assessment report for the first two submissions (see para. 18 of the SB procedure). Further clarity on these requirements is required whether a DNA may take the advantage of each option independently up to the maximum number of times for each option.
10. The secretariat explored the following three solutions:
- (a) **Solution 1-1:** Remove the requirement of submitting an assessment report:
    - (i) Since the data quality of the submission and the QA/QC system are checked through the assessment conducted by the secretariat together with MP members, the proposed solution would not compromise the environmental integrity. Also, no resource implications are envisaged;
  - (b) **Solution 1-2:** Provide the same options regarding the preparation of an assessment report for an update as for those of new SBs (with the same flexibility):
    - (i) This would facilitate updating approved SBs in time, so that the use of SBs would not be disrupted;
  - (c) **Solution 1-3:** Provide assistance to all DNAs for the preparation of an assessment report and remove the current eligibility criteria. Increasing the cap on the number of submissions per country may be also considered:
    - (i) This would allow all DNAs (not just limited to Parties that have fewer than 10 registered CDM project activities as of 31 December 2010) access to financial support;
    - (ii) This would have implications on the CDM resources;

**Recommended solution**

11. The Board may wish to consider **Solution 1-2** mentioned above.

**3.2. Issue 2: Potential use of the data of CDM project activities or PoAs to establish SBs****Issue summary**

12. Development of SBs could benefit from the vast amount of data that were already collected for registering individual registered CDM project activities and PoAs.
13. The key issue is whether it should be allowed for a new SB to directly use the data from a different CDM project activity or PoA in the same host country which has been registered or requested for registration.
14. The following issues, at least, should be taken into account:
- (a) The data vintages of the information used for determining the baselines;
  - (b) Differences in baseline parameters, for example different grid emission factor values, due to different options in the grid emission factor tool applied in project activities registered in the same host country.
15. The secretariat explored the following solution:
- (a) **Solution 2-1:** for bottom-up development of new SBs, allow using the data from a CDM project activity or PoA which was registered or is currently under request for registration:
    - (i) This change would significantly reduce the time and resource required for the proponents of SBs to collect data for the development of SBs;
    - (ii) The issues described in paragraph 14 above should be further considered to define the conditions;
    - (iii) This would immensely simplify the current process of bottom-up development of SBs and would facilitate further SB development in many sectors/countries. Since most of the data necessary for SB development (e.g. Excel spreadsheet for grid emission factors) are already available and have been validated by a DOE, the scope for further assessment by the secretariat and MP members would be greatly reduced;
    - (iv) This simplification of requirements can work for any other project types (e.g. fraction of non-renewable biomass (fNRB) value in cookstove projects applying AMS-II.G), but SBs based on grid emission factors can be prioritized where the biggest demand exists.

**Recommended solution**

16. Development of SBs using data from CDM project activities or PoAs is possible under existing SB framework. However, the same SB procedures should be followed even if information is sourced from registered PDDs and PoA-DDs. The liability lies with a DOE who prepare an assessment report for a new SB, not one who has validated the registered CDM project activity based on which a new SB is developed.

### 3.3. Issue 3: Validity of standardized baselines

#### Issue summary

17. All SBs approved so far have the **default validity period (i.e. three years)**, although the SB data standard **allows DNAs to propose alternative lengths of time for the validity** of SBs as part of the initial submission of requests of approval or any subsequent update of SBs.
18. Paragraph 23 of the SB data standard provides **a list of factors that may be considered for determining longer or shorter validity period**:
  - (a) Currentness and coverage period of the data used to develop an SB (more current data increasing validity period);
  - (b) Evolution of technologies (faster technology improvement reducing validity period);
  - (c) Sector growth (e.g. construction of new facilities) (higher rate of growth reducing validity period);
  - (d) Volatile and dynamic pricing of fuels or feedstock (higher volatility and higher dynamics in pricing reducing validity period);
  - (e) Accounting for autonomous technological improvement to develop a dynamic SB (inclusion of autonomous improvement factor increasing validity period);
  - (f) Trend of changes in the baseline emission factors between two versions of an SB (higher variability in emission factor reducing validity period).
19. However, **these factors are vague and not very easy to apply**.
20. Also, if SBs are expected to be renewed every three years, this default renewal frequency is too short, especially for SBs covering a group of Parties because consensus building among all the Parties involved and the collection of endorsement letters from them would take a long time (e.g. ASB0001: "Grid emission factor for the Southern African Power Pool").
21. As per paragraph 146 of the SB procedure, the DNA shall submit a proposed updated SB between **270 to 180 days prior to the date when the validity of the current SB expires**. Further, paragraph 147 of the same procedure indicates that the DNA shall submit an assessment report prepared by a DOE contracted by either the DNA or any other entity under agreement with the DNA. Taking into account these requirements as well as tremendous efforts associated with the data collection from all the facilities in a group of Parties, it is challenging for the DNA to comply with the three-year renewal frequency.
22. The secretariat explored the following two solutions:
  - (a) **Solution 3-1:** Expand the criteria of paragraph 23 of the SB data standard (referred to in paragraph 18 above), to allow longer validity periods for an SB where more than one Party is involved;
  - (b) **Solution 3-2:** The option of choosing a validity period longer than the default three years should be clearly indicated in the SB procedure so that proponents of SBs become aware of it.

**Recommended solution**

23. Solution 3-1 may be subjective, as pointed out by MP. Therefore, the Board may wish to consider only **Solution 3-2** mentioned above.

**3.4. Issue 4: Lack of clarity on the requirements for the data used for standardized baselines****Issue summary**

24. The following issues were identified with regard to the requirements on the data used for SBs:

- (a) As per paragraph 19 of the SB data standard, the data currentness shall be no more than two years. However, it is not clear from when two years should be counted;
- (b) The requirements on the coverage period and currentness of the data used to develop SBs are different if the data are activity data or another type of data. However, this distinction is not clear in some cases.<sup>6</sup>

25. The secretariat explored the following two solutions:

- (a) **Solution 4-1:** Clarify the requirements on the data currentness for both bottom-up and top-down development of SBs:
  - (i) In the case of a bottom-up process, two years should be counted from the date when an initial submission of the proposed SB is deemed complete. However, if any significant issues are identified during the assessment of the proposed SB, the secretariat or the Board may decide to request the latest information;
  - (ii) In the case of a top-down process, two years should be counted from the date of finalizing the “Draft standardized baseline development plan form”(CDM-DSBP-FORM).
- (b) **Solution 4-2:** Differentiate the requirements on the coverage period and currentness of activity data and non-activity data more clearly.

**Recommended solution**

26. The Board may wish to consider both **Solution 4-1** and **Solution 4-2** mentioned above.

**3.5. Issue 5: Addressing non-response from designated national authorities****Issue summary**

27. In many paragraphs of the SB procedure (e.g. para. 22, 25, 34, 39, 59, 64, 80, 88, 93, 110, 115, 152, 160, 165), it is stated that if the DNA fails to provide the requested input

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<sup>6</sup> For example, in case of standardizing the waste composition in a country, what is the requirement of data currentness? Should it be considered as “no more than two years” (for activity data) or “most recent data” (for non-activity data)?



within the deadline, the secretariat shall suspend processing the submission until it receives the requested input.

28. For example, there is one proposed SB submitted in 2015 that is still pending a response from the DNA. Complicating matters, the data vintage is 2010–2012 or 2012–2014, meaning that the data is four years old.
29. The secretariat explored the following solution:
  - (a) **Solution 5-1:** Set a deadline for the DNA to provide the requested input (e.g. one year). Alternatively, the secretariat may confirm with the DNA its intention to continue the consideration of the submission, and if no response is received after the follow up, the submission will be deemed withdrawn.

#### **Recommended solution**

30. The Board may wish to consider **Solution 5-1** mentioned above.

## **4. Impacts**

31. The proposed changes will make the existing process for the development and approval of SBs more user-friendly and facilitate the development and update of SBs without compromising the integrity of SBs.

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

32. Based on the guidance from the Board on this concept note, the secretariat will prepare a revision of regulatory documents.

## **6. Recommendations to the Board**

33. The secretariat recommends that the Board consider this concept note and provide any guidance regarding the potential areas for simplification of the process for the development and approval of SBs and other areas for improvement in the regulatory documents related to SBs.

## Appendix 1. Comments provided by Methodologies Panel at MP75

1. The Methodologies Panel provided the following input to the concept note:
  - (a) **Issue 1 of the concept note:** Costly and cumbersome procedures for standardized baselines (SBs), in particular, the requirements of an assessment report:
    - (i) The MP was not in favour of solution 1-1 (eliminating assessment reports) because the assessment by a designated operational entity (DOE) is exhaustive and thorough, and helps the reliability of proposed SBs. DOEs can also confirm the data correctness on the ground (primary data). DOEs should remain in business and acquire new experience related to the application of current CDM rules. They could play more active roles in the further development of SBs;
    - (ii) However, the MP generally supported solution 1-2 (providing the same flexible options for the update of approved standardized baselines), while recognizing that the rationale for not providing flexible options during the update was based on increasing the capacity of the designated national authorities (DNAs) in institutionalizing the data collection at the time of development of the first version of the SB. In regards to solution 1-3 (providing flexible options to all DNAs) subject to fund availability, the concept note should provide information on the options used by DNAs (e.g. number of submissions for which DOEs opted for omission of assessment reports or requested financial support) as well as an analysis of the financial implications;
    - (iii) The CDM Accreditation Standard currently does not cover the role and liability of the DOE's validation of SBs. This needs to be further analysed and, if needed, the activities related to the assessment of SBs should be included;
  - (b) **Issue 2 of the concept note:** Potential use of the data of the CDM project activities or PoAs to establish SBs:
    - (i) Development of SBs using data from CDM project activities or PoAs may be possible. However, the MP highlighted that the issues of different vintages and different options should be carefully taken into account while assessing such SBs. The SBs which are developed based on the data from CDM project activities or PoAs should also be assessed against the requirements stipulated in the standard for data coverage and validity of SBs and quality assurance/quality control guidelines. Thus, assessment reports will be required as per the usual practice for the consideration of SBs;
  - (c) **Issue 3 of the concept note:** Validity of SBs:
    - (i) The MP did not support solution 3-1 (allowing a longer validity for a SB where more than one Party is involved);

- (d) **Issue 4 of the concept note:** Lack of clarity on the requirements on the data used for SBs:
  - (i) The MP fully supported solutions 4-1 (clarify the requirements on the data currentness) and 4-2 (describe the difference between activity data and non-activity data);
- (e) **Issue 5 of the concept note:** Addressing non-response from DNAs:
  - (i) The MP fully supported solution 5-1 (set a deadline).

## Appendix 2. List of approved SBs and their validity

1. The table below lists standardized baselines approved by the Board (as of 05 April 2018) and their validity.

Reference	Sector	Meth/Tool	Applicable countries/Region	Validity
ASB0001	Power	Grid tool	Southern African Region comprising of 9 countries	30 May 2017 (Expired) <sup>7</sup>
ASB0002-2017	Charcoal production for consumption in households and SMEs	AMS-III.BG, AMS-III.K	The Republic of Uganda	31 Oct 2020 (UPDATED)
ASB0003	Power	Grid tool	Republic of Uzbekistan	06 Oct 2016 (Expired)
ASB0004	Rice Mill	AMS-I.B	Kingdom of Cambodia	07 Nov 2016 (Expired)
ASB0005	Power	Grid tool	Belize	15 Sep 2018 <sup>8</sup>
ASB0006	Power	Grid tool	The Republic of Uganda	20 Oct 2017 (Expired)
ASB0007	Power	Grid tool	Republic of Armenia	07 Jan 2018 (Expired and renewed as new submission ASB 0038)
ASB0008	Rice cultivation	AMS-III.AU	Republic of the Philippines	19 Feb 2018 (Expired)
ASB0009	Power	Grid tool	The Gambia	26 April 2018
ASB0010	Waste	ACM0001, AMS-III.G	Sao Tome and Principe	27 May 2018
ASB0011-2018	Waste	ACM0001, AMS-III.G	The Dominican Republic	01 Apr 2021 (UPDATED)
ASB0012	Waste	ACM0001, AMS-III.G	Antigua and Barbuda	27 May 2018
ASB0013	Waste	ACM0001, AMS-III.G	Belize	27 May 2018
ASB0014	Waste	ACM0001, AMS-III.G	Grenada	27 May 2018
ASB0015	Power	Grid tool	The Dominican Republic	23 Jul 2018
ASB0016	Cook stoves	AMS-I.E, AMS-II.G	Republic of Uganda	15 Oct 2018
ASB0017	Power	Grid tool	Rwanda	25 Oct 2018

<sup>7</sup> See para. 39 of EB89. The Board agreed, on an exceptional basis, and after having analysed proper justification, to extend the validity of the ASB0001 by one year.

<sup>8</sup> See para. 30 of EB 96. The Board agreed, on an exceptional basis, and after having analysed proper justification, to extend the validity of the ASB0005 by one year.

Reference	Sector	Meth/Tool	Applicable countries/Region	Validity
ASB0018	Cookstoves	AMS-I.E, AMS-II.G	Burundi	26 Nov 2018
ASB0019	Power	Grid tool	Mauritius	06 Jan 2019
ASB0020	Power	Grid tool	São Tomé and Príncipe	09 Mar 2019
ASB0021	Power	Grid tool	Cape Verde	10 Mar 2019
ASB0022	Waste	ACM0001, AMS-III.G	Cameroon	10 Mar 2019
ASB0023	Waste	ACM0001, AMS-III.G	Republic of the Sudan	10 Mar 2019
ASB0024	Power	Grid tool	Republic of the Sudan	27 Mar 2019
ASB0025	Cookstoves	AMS-I.E, AMS-II.G	Senegal	25 Aug 2019
ASB0026	Waste	AMS-III.H	Republic of Uganda	17 Oct 2019
ASB0027	Waste	AMS-III.H	Republic of Uganda	17 Oct 2019
ASB0028	Charcoal	AMS-III.BG	Republic of Senegal	19 Oct 2019
ASB0029	Charcoal	AMS-III.BG	Republic of Côte d'Ivoire	19 Oct 2019
ASB0030	Waste	ACM0001, AMS-III.G	Rwanda	23 Oct 2019
ASB0031	Power	Grid tool	Grenada	22 Nov 2019
ASB0032	Cookstoves	AMS-I.E, AMS-II.G	Namibia	21 Feb 2020
ASB0033	Cookstoves	AMS-I.E, AMS-II.G	Togo	21 Feb 2020
ASB0034	Power	Grid tool	West African Power Pool (WAPP) comprising of 9 countries	26 Feb 2020
ASB0035	Cookstoves	AMS-I.E, AMS-II.G	Republic of Kenya	26 Feb 2020
ASB0036	Cookstoves	AMS-I.E, AMS-II.G	Malawi	19 Sep 2020
ASB0037- 2017	Cookstoves	AMS-I.E, AMS-II.G	Mali	29 Oct 2020
ASB0038- 2018	Power	Grid tool	Republic of Armenia	18 Feb 2021

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