CLEAN DEVELOPMENT MECHANISM

CDM-EB86-AA-A05

Concept note

Reclassification of methodologies

Version 01.0

United Nations
Framework Convention on
Climate Change

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1. Procedural background

1. The Executive Board of the clean development mechanism (CDM) (hereinafter referred to as the Board), at its seventy-fifth meeting (EB 75), adopted version 05.0 of the "CDM accreditation standard" (the standard) as well as version 01.0 of the "Transitional provisions for the implementation of the revised CDM accreditation standard" (transitional measures).

2. A significant part of the revision was the reclassification of technical areas within the same 16 sectoral scopes, as elaborated in the transitional measures. The transitional measures included the following measures regarding the classification of methodologies with regard to sectoral scopes:

   (a) Revision, over a longer term, of the classification of certain methodologies against sectoral scopes, to reflect revision of the list of technical areas;

   (b) Requirement for the designated operational entities (DOEs) to select validation and verification/certification personnel relevant to the reclassified technical area under a different sectoral scope, as appropriate, until the process referred to in subparagraph (a) above is concluded.

3. Subsequently, the Board adopted version 06.0 of the standard and version 04.0 of the transitional measures to facilitate implementation of the introduced changes.

4. At EB 85, the Board requested the secretariat to reclassify all methodologies in accordance with version 06.0 of the standard to be considered by the Board at EB 86. This request was due to the situation where DOEs are accredited according to technical areas as set out in version 06.0 of the standard whereas most methodologies are still classified according to the technical areas set out in version 04.0 of the standard.

5. This work related to the activity group 'Accreditation system' under objective 1(b): 'Operate an effective regulatory framework' with a resource allocation as referred to in table 3 of the Management plan 2015 (EB81, annex 1).

2. Purpose

6. The purpose of this concept note is to present the results of the work that was mandated at EB 85: the reclassification of methodologies with regard to sectoral scopes.

7. In the course of work on reclassifying the methodologies, several policy issues arose which are outlined below and require further guidance by the Board.

3. Key issues and proposed solutions

3.1. Key issue

8. The delay in reclassification of methodologies against sectoral scopes based on the revised technical areas led to divergence between the definitions of sectoral scopes in terms of technical areas for the purpose of the accreditation held by DOEs (new definition) and the classification of methodologies (old definition). Due to this divergence, DOEs have to hold accreditation in sectoral scopes under both old and new definitions to

be eligible to submit a request for registration or issuance for a project activity or a programme of activities (PoA) that applies the methodologies being due for reclassification.

9. To address this issue of divergence, the Board requested the secretariat to reclassify all methodologies in accordance with the transitional measures. The secretariat prepared a proposal on re-classification of the affected methodologies, contained in appendix 1 (hereinafter referred to as "option A").

3.2. Option A: direct reclassification

10. As stated in paragraph 9 above, the work for this option has been completed.

11. The proposed reclassification was done based on the mapping of technical areas as outlined in the transitional measures. Not all methodologies could be reclassified based solely on the transitional measures. For these methodologies, expert judgement was used to select the new sectoral scope. This is the same way as the initial classification of new methodologies.

12. The details of modalities for implementing of proposed reclassification of methodologies as outlined in appendix 1 would be:

    (a) The effective date for the reclassification of methodologies is 1 November 2015;

    (b) Affected methodologies are those where the classification has been impacted by the transition from version 04.0 to version 06.0 of the accreditation standard;

    (c) By the effective date, the reclassification indicated in appendix 1 will be reflected in the CDM information system and published on the CDM website. All references from existing methodologies to sectoral scopes will be removed;

    (d) From the effective date (inclusive), a DOE has to be accredited in all sectoral scopes applicable to a reclassified methodology at the time of submission (or resubmission) of a request for registration, issuance, post registration changes or renewal of crediting period. Requests submitted before the effective date will not be impacted by the new classification in appendix 1.

3.3. Option B: Primary and secondary sectoral scope

13. This option would depart from the rule that a DOE shall be accredited in all of the sectoral scopes linked to a methodology. Rather, the application of sectoral scopes would be flexible, only requiring accreditation in the sectoral scopes that are relevant to the specific project activity or PoA under validation or verification.

14. Sectoral scopes linked to a methodology would be designated as either "primary" or "secondary". To perform validation or verification of a project activity or PoA that applies a methodology, a DOE would have to be accredited in **all** of the primary sectoral scopes linked to the methodology.

15. The majority of methodologies are linked to only one sectoral scope, so it will be designated as primary. Also for some methodologies linked to more than one sectoral scope, all of them will be designated as primary. For these methodologies the

requirement will not change – a DOE will have to be accredited in all (primary) sectoral scopes of a project activity or PoA.

16. However, for other methodologies linked to multiple sectoral scopes, some sectoral scopes will be designated as secondary. In such cases, the project participants will decide which (if any) of the secondary scopes are applicable to their project activity or PoA, in addition to the primary one. They will have to select a DOE holding accreditation in all of the primary sectoral scopes and, if any, selected secondary sectoral scopes. The DOE, during the contract review as described in section 12.1 of the CDM accreditation standard, will review and confirm the selection of the secondary sectoral scopes.

17. For example, methodology AMS-II.D under this option would have sectoral scope 3 designated as primary, and sectoral scopes 4, 9 and 10 as secondary. If a project activity applying this methodology is implemented in a utility facility of a steel plant, then the project participants would not select any of the secondary sectoral scope, and the DOE performing validation or verification would have to be accredited in sectoral scope 3 only.

18. Another example is that, for methodology ACM0012[1] under this option, sectoral scope 1 would be designated as primary, and sectoral scopes 4, 9 and 10 would be secondary. If a project activity applying this methodology is to be done in an existing aluminium smelter, the project participants would choose scope 9 from the secondary ones, and the validating or verifying DOE would have to be accredited in sectoral scopes 1 and 9.

4. Impacts

4.1. Option A: direct reclassification according to the transitional measures

19. Under this option, the Board would adopt the reclassification of methodologies based on version 06.0 of the standard, as outlined in appendix 1:

    (a) Benefits of this option:

        (i) Simple to implement;

        (ii) No extra work by the secretariat on reclassification of methodologies would be required;

        (iii) It could be implemented without necessitating further consideration by the Board;

[1] ACM0012: Approved consolidated methodology: Waste energy recovery

(b) Disadvantages:

(i) During the work on option A, several issues have been identified that require further guidance from the Board. Direct reclassification of methodologies in accordance with the transitional measures would result in having some methodologies classified in multiple sectoral scopes. If the current practices are applied for registration and issuance for project activities and PoAs, it will create greater barriers for DOEs to work on certain project types due to the following issues:

(ii) Currently, to perform validation or verification of a project activity or PoA applying a specific methodology, a DOE shall be accredited in all the sectoral scopes in which the methodology is classified;[2]

(iii) Secondly, due to reorganization of technical areas among the sectoral scopes, some methodologies that were previously classified in one sectoral scope will now need to be classified in multiple sectoral scopes. For example, most methodologies previously classified in sectoral scope 4[3] would now need to be classified in sectoral scopes 4, 9 and 10.[4]

a. One example to illustrate this problematic situation would be the methodology ACM0012[5], previously classified in sectoral scopes 1 and 4. Under option A a DOE would have to be accredited in sectoral scopes 1, 4, 9 and 10 in order to perform validation or verification of project activities or PoAs applying this methodology. It is unlikely that these four sectoral scopes would be simultaneously relevant to any one project activity or PoA – such activity would have to cover waste stream from cement, iron and steel and oil and gas industry to produce energy.

b. This was not an issue before, as many DOEs were accredited in all sectoral scopes and therefore requiring accreditation in all sectoral scopes applicable to a methodology did not have much impact. However, due to the downturn of the CDM market, DOEs are withdrawing from rarely used sectoral scopes, which heightens the risk that DOEs will not hold accreditation in all sectoral scopes applicable to frequently used methodologies.

(iv) As elaborated in paragraphs 19 (b) (i) and 19 (b) (ii) above, to submit requests for registration, issuance, etc., the DOEs would need to be accredited in the sectoral scopes that may be not relevant to the project activity or PoA.

(v) This option will reduce the number of DOEs eligible to undertake a validation or verification for a particular project activity or PoA. Taking the

[2] EB 31 meeting report, paragraph 61.

[3] 4. Manufacturing industries.

[4] 4. Manufacturing industries, 9. Metal production and 10. Fugitive emissions from fuels (solid, oil and gas).

[5] Approved consolidated methodology: Waste energy recovery.

example of the methodology ACM0012, before the proposed reclassification, 32 DOEs could perform validation or verification for project activities and PoAs applying this methodology (i.e. 32 DOEs are currently accredited in sectoral scopes 1 and 4). After the proposed reclassification this work could be done only by 28 DOEs (i.e. 28 DOEs are accredited in scopes 1, 4, 9 and 10).

20. The proposed work foresees an increase in costs to DOEs on the short- and long-term to adjust their systems to the new reclassification of methodologies and maintain accreditation in extra sectoral scopes.

4.2. Option B: Primary and secondary sectoral scope

21. Under this option the Board would revise the rules regarding the classification of methodologies, introducing the concept of primary and secondary sectoral scopes.

    (a) Benefits of this option:

        (i) It would ensure relevant classification for each project activity or PoA;

        (ii) It would reduce the unnecessary burden on DOEs for retaining accreditation in irrelevant sectoral scopes;

        (iii) It would ensure no backsliding on competence requirements, comparable to the status quo. Each DOE would be accredited and competent in all the sectoral scopes applicable to the mitigation activity (e.g. power generation), source for mitigation activity (e.g. cement facility) and leakage emissions (e.g. biomass cultivation);

    (b) Disadvantages:

        (i) The current regulatory framework mentions, in various locations, that DOEs shall be accredited in all of the sectoral scopes in which a methodology is classified to perform validation or verification for a project activity or PoA that applies the methodology. Therefore, a revision of the other regulatory documents, such as the “CDM project standard” (PS), the “CDM validation and verification standard” (VVS), the “CDM project cycle procedure” (PCP) and relevant templates, would be required;

        (ii) This option would require substantive changes to the IT system that performs checks whether a DOE, submitting a request for registration, issuance, etc., is accredited in the required sectoral scopes;

        (iii) There would be some uncertainty for project participants in choosing secondary sectoral scopes and, therefore, an appropriate DOE to perform validation or verification for a project activity or PoA.

22. The proposed work foresees an increase in costs to DOEs on the short-term to adjust their systems to the new reclassification of methodologies.

5. Subsequent work and timelines

23. Under both options, PDFs of all versions of all existing methodologies would have to be edited to remove reference to particular sectoral scopes. Instead, a reference table will be published on CDM website, indicating sectoral scopes of all methodologies.

24. Also, under both options, the reclassification of methodologies would have to be reflected in the CDM information system that performs checks on eligibility of a DOE to submit particular request for registration, issuance, etc.

5.1. Option A: direct reclassification according to the transitional measures

25. If the Board decides to select option A, the changes to the information system would take until 1 November 2015 to implement. To allow time for implementation it is proposed that the effective date of the reclassification be aligned with this date.

5.2. Option B: Primary and secondary sectoral scope

26. If the Board decides to proceed with option B, further analysis will be required to review the impact of the changes on the PS, VVS, PCP, methodology procedures and other relevant documents including templates and the information system. Furthermore there will be a need to identify for each methodology its primary and secondary scopes. A detailed proposal on the modalities for implementation of this option could be delivered EB 87.

27. In the meantime current classification of methodologies according to technical areas as set out in version 04.0 of the standard would be maintained. Affected DOEs would be invited to seek approval from the Chair of the Board for submission of a request in non-accredited sectoral scopes.

6. Recommendations to the Board

28. The secretariat recommends that the Board agree, in principle, on option B and:

    (a) Request the secretariat to develop modalities for implementation of option B, taking into consideration the impact on the regulatory framework, and submit it for the Board's consideration at EB 87;

    (b) Decide that until adoption of reclassification of methodologies, any 'divergent' cases submitted to the Board may be cleared by the Chair of the Board.

Appendix 1. Classification of affected methodologies (option A – direct reclassification)

1. In total 38 large-scale methodologies would be affected by the transition to version 06.0 of the CDM accreditation standard.

Table 1. Sectoral scope per affected methodology (large-scale)

No.	Meth.	Ver.	Title	Previous sectoral scope			New sectoral scope			
1	ACM0001	1-15	Flaring or use of landfill gas	13	-	-	1	13	-	-
2	ACM0003	1-8	Partial substitution of fossil fuels in cement or quicklime manufacture	4	-	-	1	4	15	-
3	ACM0006	1-12.1.0	Consolidated methodology for electricity and heat generation from biomass	1	-	-	1	15	-	-
4	ACM0008*	1-8	Abatement of methane from coal mines	8	10	-	1	8	-	-
5	ACM0009*	1	Consolidated baseline and monitoring methodology for fuel switching from coal or petroleum fuel to natural gas	4	-	-	1	4	9	10
6	ACM0009*	2-5	Consolidated baseline and monitoring methodology for fuel switching from coal or petroleum fuel to natural gas	1	4	-	1	4	9	10
7	ACM0010*	1-8	GHG emission reductions from manure management systems	13	15	-	1	13	-	-
8	ACM0012*	1-5	Waste energy recovery	1	4	-	1	4	9	10
9	ACM0014	1-6	Treatment of wastewater	13	-	-	1	13	-	-
10	ACM0017*	1-2.1.0	Production of biodiesel for use as fuel	1	5	-	1	5	7	15
11	ACM0018	1-3	Electricity generation from biomass residues in power-only plants	1	-	-	1	15	-	-
12	ACM0020	1.0.0	Co-firing of biomass residues for heat generation and/or electricity generation in grid connected power plants	1	-	-	1	15	-	-
13	ACM0021	1.0.0	Reduction of emissions from charcoal production by improved kiln design and/or abatement of methane	4	-	-	5	15	-	-

No.	Meth.	Ver.	Title	Previous sectoral scope			New sectoral scope			
14	AM0007	1	Analysis of the least-cost fuel option for seasonally-operating biomass cogeneration plants	1	4	-	1	15	-	-
15	AM0009	1-7	Recovery and utilization of gas from oil fields that would otherwise be flared or vented	10	-	-	1	10	-	-
16	AM0014	1-5	Fossil fuel based cogeneration for identified recipient facility(ies)	1	4	-	1	-	-	-
17	AM0035	1-2.0.0	SF6 emission reductions in electrical grids	1	11	-	2	11	-	-
18	AM0036	1-4.0.0	Fuel switch from fossil fuels to biomass residues in heat generation equipment	1	4	-	1	15	-	-
19	AM0042	1-2	Grid-connected electricity generation using biomass from newly developed dedicated plantations	1	14	-	1	15	-	-
20	AM0049	1-3	Methodology for gas based energy generation in an industrial facility	1	4	-	1	-	-	-
21	AM0055*	1-2.1.0	Recovery and utilization of waste gas in refinery or gas plant	1	4	-	1	10	-	-
22	AM0057	1-3.0.1	Avoided emissions from biomass wastes through use as feed stock in pulp and paper, cardboard, fibreboard or bio-oil production	4	13	-	5	15	-	-
23	AM0064	1-3.0.0	Capture and utilisation or destruction of mine methane (excluding coal mines) or non mine methane	10	-	-	1	8	-	-
24	AM0065	1-2	Replacement of SF6 with alternate cover gas in the magnesium industry	9	4	11	9	-	-	-
25	AM0068	1	Methodology for improved energy efficiency by modifying ferroalloy production facility	3	9	-	9	-	-	-
26	AM0069	1-2	Biogenic methane use as feedstock and fuel for town gas production	1	5	-	5	-	-	-
27	AM0070	1-3.1.0	Manufacturing of energy efficient domestic refrigerators	4	-	-	3	-	-	-
28	AM0073*	1	GHG emission reductions through multi-site manure collection and treatment in a central plant	13	15	-	1	13	-	-

No.	Meth.	Ver.	Title	Previous sectoral scope			New sectoral scope			
29	AM0078	1-2.0.0	Point of Use Abatement Device to Reduce SF6 emissions in LCD Manufacturing Operations	4	11	-	11	-	-	-
30	AM0082	1	Use of charcoal from planted renewable biomass in the iron ore reduction process through the establishment of a new iron ore reduction system	9	-	-	5	9	14	-
31	AM0088	1	Air separation using cryogenic energy recovered from the vaporization of LNG	3	-	-	10	-	-	-
32	AM0089	1	Production of diesel using a mixed feedstock of gasoil and vegetable oil	1	5	-	10	13	15	-
33	AM0089	2	Production of diesel using a mixed feedstock of gasoil and vegetable oil	5	13	15	10	13	15	-
34	AM0091	1-3	Energy efficiency technologies and fuel switching in new and existing buildings	3	-	-	3	1	-	-
35	AM0092	1-2.0.0	Substitution of PFC gases for cleaning Chemical Vapour Deposition (CVD) reactors in the semiconductor industry	4	11	-	11	-	-	-
36	AM0095*	1	Waste gas based combined cycle power plant in a Greenfield iron and steel plant	1	4	-	1	9	-	-
37	AM0096	1.0.0	CF4 emission reduction from installation of an abatement system in a semiconductor manufacturing facility	4	11	-	11	-	-	-
38	AM0109*	1.0.0	Introduction of hot supply of Direct Reduced Iron in Electric Arc Furnaces	4	9	-	9	-	-	-
39	AM0111	1.0.0	Abatement of fluorinated greenhouse gases in semiconductor manufacturing	4	9	-	11	-	-	-
40	AM0115*	1	Recovery and utilization of coke oven gas from coke plants for LNG production	4	5	-	5	9	10	-

* Methodologies reclassified based on direct approach.

2. In total 24 small-scale methodologies would be affected by the transition to version 06.0 of the accreditation standard.

Table 2. Sectoral scope per affected methodology (small-scale)

No.	Meth.	Ver.	Title	Previous sectoral scope			New sectoral scope			
1	AMS-II.D.	1–13	Energy efficiency and fuel switching measures for industrial facilities	4	-	-	3	4	9	10
2	AMS-II.F.	4–10	Energy efficiency and fuel switching measures for agricultural facilities and activities	3	-	-	3	15	-	-
3	AMS-II.H.	1–3	Energy efficiency measures through centralization of utility provisions of an industrial facility	4	-	-	3	-	-	-
4	AMS-II.I.	1	Efficient utilization of waste energy in industrial facilities	4	-	-	3	-	-	-
5	AMS-III.AK.	1–2	Biodiesel production and use for transport applications	7	-	-	5	7	-	-
6	AMS-III.AL.	1	Conversion from single cycle to combined cycle power generation	3	-	-	1	-	-	-
7	AMS-III.AN.	1–2	Fossil fuel switch in existing manufacturing industries	4	-	-	1	4	9	10
8	AMS-III.AS.	1–2	Switch from fossil fuel to biomass in existing manufacturing facilities for non-energy applications	2	-	-	1	4	9	10
9	AMS-III.BD.*	1	GHG emission reduction due to supply of molten metal instead of ingots for aluminium castings	4	-	-	9	-	-	-
10	AMS-III.BE.	1	Avoidance of methane and nitrous oxide emissions from sugarcane pre-harvest open burning through mulching	13	-	-	15	-	-	-
11	AMS-III.BG.	1–3	Emission reduction through sustainable charcoal production and consumption	4	-	-	5	-	-	-
12	AMS-III.D.*	1–11	Methane recovery in agricultural and agro industrial activities	10	13	-	1	13	-	-
13	AMS-III.D*	12–19	Methane recovery in animal manure management systems	15	-	-	1	13	-	-
14	AMS-III.E.*	1–11	Avoidance of methane production from biomass decay through controlled combustion	13	15	-	1	13	-	-
15	AMS-III.E.*	12–17	Avoidance of methane production from biomass decay through controlled combustion	13	-	-	1	13	-	-
16	AMS-III.H*	1–4	Methane recovery in wastewater treatment	13	15	-	1	13	-	-
17	AMS-III.H*	5–17	Methane recovery in wastewater treatment	13	-	-	1	13	-	-

No.	Meth.	Ver.	Title	Previous sectoral scope			New sectoral scope			
18	AMS-III.I*	1–4	Avoidance of methane production in wastewater treatment through replacement of anaerobic lagoons by aerobic systems	13	15	-	13	-	-	-
19	AMS-III.K.	1–5	Avoidance of methane release from charcoal production	4	-	-	5			-
20	AMS-III.N.	1–3	Avoidance of HFC emissions in rigid Poly Urethane Foam (PUF) manufacturing	4	-	-	11	-	-	-
21	AMS-III.P.*	1	Recovery and utilization of waste gas in refinery facilities	4	-	-	10	-	-	-
22	AMS-III.Q.	1–6	Waste energy recovery	4	-	-	1	4	9	10
23	AMS-III.R.*	1–3	Methane recovery in agricultural activities at household/small farm level	15	-	-	1	13	-	-
24	AMS-III.T.	3	Plant oil production and use for transport applications	7	-	-	5	7	-	-
25	AMS-III.V.	1	Decrease of coke consumption in blast furnace by installing dust/sludge recycling system in steel works	4	-	-	3	9	-	-
26	AMS-III.W.	1–2	Methane capture and destruction in non-hydrocarbon mining activities	10	-	-	1	8	-	-
27	AMS-III.Z.	6	Fuel switch, process improvement and energy efficiency in brick manufacture	4	-	-	1	3	-	-

* These methodologies were reclassified based direct reclassification.

3. In total seven large-scale methodologies, withdrawn, would be affected by the transition to version 06.0 of the accreditation standard.

Table 3. Sectoral scope per affected methodology (large-scale withdrawn)

No.	Meth	Ver.	Title	Previous sectoral scope			New sectoral scope			
1	AM0006*	1	GHG emission reductions from manure management systems	13	15	-	13	-	-	-
2	AM0008	1	Industrial fuel switching from coal and petroleum fuels to natural gas without extension of capacity and lifetime of the facility	4	-	-	1	-	-	-
3	AM0016*	1–3	Greenhouse gas mitigation from improved animal waste management systems in confined animal feeding operations	13	15	-	13	-	-	-

No.	Meth	Ver.	Title	Previous sectoral scope			New sectoral scope			
4	AM0025	1–6	Avoided emissions from organic waste through alternative waste treatment processes	13	-	-	1	13	-	-
5	AM0032*	1	Methodology for waste gas or waste heat based cogeneration system	1	4	-	1	4	9	-
6	AM0041	1	Mitigation of Methane Emissions in the Wood Carbonization Activity for Charcoal Production	4	-	-	5	-	-	-
7	AM0047	2	Production of biodiesel based on waste oils and/or waste fats from biogenic origin for use as fuel	1	5	-	1	5	7	-

* Methodologies reclassified based on direct reclassification.

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