



## Annex 12

### CONCEPT NOTE ON THE CHALLENGES AND OPTIONS FOR THE WORK ON DEVELOPMENT OF GUIDELINES ON STANDARDIZED BASELINES FOR TRANSPORT SECTOR

(Version 01.0)

#### I. Background

1. The Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP), at its sixth session, decided that Parties, project participants, as well as international industry organizations or admitted observer organizations through the host country's designated national authority (DNA), may submit proposals for standardized baselines applicable to new or existing methodologies, for consideration by the Executive Board of the clean development mechanism (hereinafter referred to as the Board).

2. In this context, the Board, at its sixty-second meeting, adopted the Guidelines for the establishment of sector specific standardized baselines (the SB guidelines)<sup>1</sup> and at its sixty-fifth meeting, it agreed to the “work programme on standardized baselines” (the work programme)<sup>2</sup>, that included the element of expansion of SB guidelines to the CDM projects in transport sector.

#### II. Purpose

3. This purpose of this concept note is to discuss the challenges and options related to a potential draft on guidelines for standardized baseline for transport sector CDM projects and possible work on improvement in the standards/guidelines on Programme of Activities (PoA). The note describes the challenges in standardized baselines for transport sector and provides options available for standardization and scale-up.

4. The concept note provides the basis for the argument that standardized baselines may not be applicable to many categories of projects under transport sector that require project specific context.

#### III. Key challenges for standardized baselines in transport sector

5. In contrast to many stationary sources, emission sources and their carbon intensity in the transport sector are very specific to a geographic area as emission levels are profoundly influenced by local conditions such as economic development, population and population density, transport infrastructure and driving conditions, climate and topography. Therefore, in order to establish a baseline emission factor, for a particular transport project it is important to clearly define the system that affect baseline conditions and the geographical boundaries within which the project operates.

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<sup>1</sup><[http://cdm.unfccc.int/Reference/Guidclarif/meth/meth\\_guid42.pdf](http://cdm.unfccc.int/Reference/Guidclarif/meth/meth_guid42.pdf)>.

<sup>2</sup><[http://cdm.unfccc.int/filestorage/Y/D/4/YD4QSN3VM5096CKZWHPGTLX7BIFO8E/eb65\\_repan22.pdf?t=YVN8bThkemttfDCotQ9dN7QW1Rm1VcG43Uvm](http://cdm.unfccc.int/filestorage/Y/D/4/YD4QSN3VM5096CKZWHPGTLX7BIFO8E/eb65_repan22.pdf?t=YVN8bThkemttfDCotQ9dN7QW1Rm1VcG43Uvm)>.



6. Moreover, the service level of the projects targeting stationary emission sources can be standardised under a standardized baseline e.g. all cement plants will deliver the same quality of cement, which can be utilized for the same purpose. This results into comparable service under project and baseline scenario, therefore this issue does not pose the challenge while developing standardized baselines for projects targeting stationary emission sources. However, the service levels delivered by many categories of transportation project activity are not comparable. For example, the service for passenger to transport them from point A to point B in an area with well-developed public transport system would be different (e.g. in terms of gCO<sub>2</sub>/passenger-km) from the service to transport passengers from point B to point D in an area where individual transport categories dominate. Therefore, the geographical boundaries for collecting data for baseline setting of such transport projects need to be defined individually for each project.

7. In the spirit of standardized baselines, the baseline emission factor should be established without knowing a project activity in advance. This leads to a situation where the geographical boundary for data collection to define a standardized baseline emission factor is set in such a way that it is not related to boundary of a particular project activity to be implemented in a particular context.

8. There is an issue of demand for transport services that is governed by economic and social needs of an individual that is a function of time. Moreover, the accounting for the effect of induced demand as a result of availability of infrastructure and reduced costs is a challenge.

9. Because of a large variation in parameters and local conditions that affect transport sector, the standardized baseline set for transport projects could result on one end, over-conservative for a specific project activity in transport in one region, dis-incentivizing the projects; and on the other end, less conservative resulting into over-crediting of projects or crediting of those projects that are not taken up as mitigation activities. Currently such situation is appropriately tackled in the context of approved CDM methodologies for transport projects wherein the project activity defines the boundary for collection of data to estimate the emissions of the baseline system.

10. Therefore, after an elaborate analysis, consideration of a report developed by a consultant, consultations on the report and general issues with external experts, Methodologies Panel (MP) and Small Scale Working Group (SSC-WG), the Secretariat came to a conclusion that there are fundamental limits to the standardization of the baseline setting in the transport sector.

#### **IV. Options for standardization and scaling up of CDM in transport sector**

11. On the other hand, there might be some opportunities to standardize approaches for baseline setting for specific measures in the transport sector. The Secretariat would like to further explore these opportunities and conduct an analysis of efforts required and value additions by operationalizing or implementing these approaches. Furthermore, the Secretariat would like to explore opportunities for simplification of CDM standards/guidelines for transport projects in the context of PoAs as it allows for scaling up mitigation activities, while reducing transaction cost.



## V. Proposed work and timelines

12. The Board may like to request the secretariat: (i) to further explore the opportunity for developing guidelines for standardized baselines for transport sector, particularly for those measures where it is feasible to collect the data to represent project specific context to set the conservative baselines; (ii) to explore opportunity on the simplification of requirements of PoAs for transport sector projects; (iii) to prepare an analysis considering these two issues and present to a future meeting of the Board in 2013.

## VI. Impacts

13. The mandate from the Board will help the secretariat to focus their work on certain measures under transport sector where standardised baselines can be developed, and to develop options for improvement in the PoA standards/guidelines.

## VII. Recommendations to the Board

14. The Board is recommended to provide mandate to the secretariat, as requested.

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### History of the document

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