



Annex 3

INFORMATION NOTE ON STANDARDIZED BASELINES

I. Background and scope of the note

1. At the sixth meeting of the conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP 6) in Cancun, Parties agreed in decision 3/CMP.6 on the implementation of standardized baselines under the clean development mechanism (CDM). This note provides an overview of the decision and identifies areas where the CDM Executive Board (hereinafter referred to as the Board) may need to take action to enable the implementation of this decision. This includes two main components:

- (a) A bottom-up component: enabling the submission of proposals for standardized baselines and clarifying how such submissions will be processed by the Board; and
- (b) A top-down component: implementing the request from CMP to the Board to develop standardized baselines.

II. Guidance by CMP relating to submission of proposals and top down development¹

2. Decision 3/CMP.6 recognized that baseline and monitoring methodologies using standardized baselines can be developed, proposed by project participants and approved by the Board of the CDM under the modalities and procedures adopted by decisions 3/CMP.1 and 5/CMP.1;

3. Further, CMP 6:

- (a) Decided that Parties, project participants, as well as international industry organizations or admitted observer organizations through the host country's designated national authority, may submit proposals for standardized baselines applicable to new or existing methodologies, for consideration by the Board; and
- (b) Requested the Board to develop standardized baselines, as appropriate, in consultation with relevant designated national authorities, prioritizing methodologies that are applicable to least developed countries, small island developing States, Parties with 10 or fewer registered CDM project activities as of 31 December 2010 and underrepresented project activity types or regions, inter alia, for energy generation in isolate systems, transport and agriculture, taking into account the workshop that will be organized on standardized baselines for facilitating access to the CDM.

III. Definition and layers

A. Definition and examples of standardized baselines

4. **Standardized Baseline.** Decision 3/CMP.6 defines a “standardized baseline” as a baseline established for a Party or a group of Parties to facilitate the calculation of emission reduction and removals and/or the determination of additionality for CDM project activities,

¹ Complete extract of decision 3/CMP.6 on standardized baselines in Annex I.



while providing assistance for assuring environmental integrity. As per this definition, the scope of a standardized baseline may include one or several of the following elements:

- (a) Baseline scenario identification;
- (b) Baseline emissions determination;
- (c) Additionality demonstration.

5. The technical paper on standardized baselines prepared for SBSTA34 (FCCC/TP/2010/4), highlighted that standardization can be achieved through different tools and options such as: emissions intensity benchmarks and standards; default values that can also include conservative estimates of the emission reductions per unit for a given project (e.g. a solar lamp or a compact fluorescent lamp); positive lists, which are lists of project types that are considered automatically additional under certain conditions (e.g. location, technology or size); and standardized barrier tests where projects could be considered additional if the technology has not reached a certain market penetration in a particular country or region.

6. The technical paper also highlighted that such approaches are already used in some approved baseline and monitoring methodologies. The most prominent example may be the emission factor for electricity systems, determined through the “Tool to calculate the emission factor for an electricity system”. Once applied, a single default value for the emissions intensity of the electricity system can be used by all projects displacing grid electricity.

B. Layers of standardized baselines

7. When developing or processing a standardized baseline, it may be useful to distinguish the following four different layers:

- (a) **A general framework for standardized baselines.** This may include general rules and principles on how to develop a standardized baseline. These principles may be applicable to all countries and all project types. The framework could serve as a basis for assessing proposals for standardized baselines and for top-down development of standardized baselines. Establishing a general framework may also be useful to ensure environmental integrity in determining standardized baselines between countries and project types.
- (b) **Algorithm.** An algorithm may be required to derive a qualitative standardized baseline and/or a quantitative standardized baseline from a qualitative standardized baseline (or baseline scenario). This typically includes equations and can include, as a standardized component, default values. For example:
 - (i) The “Tool to calculate the emission factor for an electricity system” provides procedures to quantify the combined margin CO₂ emission factor for the project electricity system, including, as a standardized component, default values for the efficiency of power plants;
 - (ii) A set of equations to determine the performance of cement plants (in t CO₂ per ton of clinker) and to derive emissions benchmarks based on the top X% performing plants, which may be used to determine baseline emissions and/or demonstrating additionality.
 - (iii) A procedure to derive a qualitative standardized baseline could state that the baseline scenario is the continuation of the current practice.



- (c) **Qualitative standardized baseline.** A baseline scenario or an additional project type applicable only to a country or group of countries. A qualitative standardized baseline or baseline scenario could be obtained from applying a simple procedure which takes into account national or sectoral circumstances. In some cases, the qualitative standardized baseline could also be pre-defined by the relevant methodology or tool applied to specific circumstances of a country or group of countries. For example:
- (i) A technology is considered additional if the technology meets certain defined conditions in the host country (e.g. in the country Y wind power plants are additional).
- (d) **Quantitative standardized baseline.** A value that is either obtained from the application of an algorithm to the specific conditions of a country or group of countries or established as a default value in a methodology or tool under the specific circumstances of a country or group of countries. For example:
- (i) Grid emission factor values resulting from the application of the “Tool to calculate the emission factor for an electricity system”, e.g. in the case of country X for 2009 it is 0.543 tCO₂/MWh;
- (ii) Deemed savings established for a country or a group of countries for household appliances in the relevant methodology or tool that will then be only applicable to the country or the group of countries.

8. This differentiation aims to illustrate that standardization in the determination of baselines and/or additionality demonstration can occur at different levels. It is important to note that implementation of the last layer, the quantification of a standardized baseline, may occur in different places. In most cases, the quantitative baseline is determined by applying an approved methodology or tool.

IV. Bottom-up approach: Submissions of standardized baselines applicable to new or existing methodologies

9. This section identifies to what extent existing procedures can be used to process submission of standardized baselines and where the existing procedures may need to be amended or new procedures may need to be developed.

10. To facilitate a prompt start implementing standardized baselines, it is proposed to use, to the extent possible, the existing procedures and the existing support structure in processing proposals for standardized baselines. The creation of new procedures may require time and may thus delay the assessment of proposals submitted to the Board.

11. As per decision 3/CMP.6, paragraph 45, proposals for standardized baselines applicable to new or existing methodologies may be submitted by Parties, project participants, as well as international industry organizations or admitted observer organizations through the host country's designated national authority.

12. Standardized baselines may be submitted as part of new methodologies (section A) or as part of the revision to existing methodologies (section B).

**A. Standardized baselines submitted as part of new methodologies**

13. Standardized baselines applicable to new methodologies may be submitted through the existing procedures for submission and consideration of new methodologies. In case of large scale and A/R methodologies only project participants may submit a proposed new methodology. Hence, these procedures may be amended to allow the submission by a host country's designated national authority.

14. The new methodologies or tools submitted may include:

- (a) A pre-defined streamlined procedure to arrive at a qualitative standardized baseline on a national or sub-national basis, and/or
- (b) An algorithm to quantify a standardized baseline, and/or

15. The Meth Panel/Working Groups may assess these different components of standardized baselines submitted as part of a methodology or tool and make a recommendation to the Board, following the existing procedures.

16. In cases where a quantitative standardized baseline or a qualitative baseline is derived from the application of a methodology or tool, the correctness of the application may also need to be assessed. For this purpose, new procedures would need to be developed, which could involve designated national authorities (DNAs), designated operational entities, and Panels/working groups. Once assessed and approved by the Board, the quantitative/qualitative standardized baseline, could either be added as an Annex to the new approved methodology or formally published as a standardized value on the UNFCCC website, including the time frame in which it is applicable.

17. This way forward is illustrated with the following example: A new methodology for use of alternative fertilizers is submitted. This methodology includes (a) a procedure to determine what fertilizer type can be regarded as standardized baseline for a country or region (the qualitative component), (b) an algorithm to determine the baseline emissions for different types of fertilizers (the algorithm), and (c) optional international default values for the greenhouse gas emission intensity of different fertilizer types. In addition, the DNA from country Z submits a standardized value for fertilizer application in country Z, based on the application of (a) and (b). In this case, the components (a) and (b), submitted as part of the methodology, could be evaluated by the responsible panels and working groups and finally approved by the Board. The national value provided for country Z could be assessed under the new procedures referred to in paragraph 16, and subsequently submitted to the Board for approval.

B. Standardized baselines submitted based on existing methodologies.

18. Similarly as for new methodologies, standardized baselines could also be derived from existing methodologies and may then be submitted through the existing procedures. In case of large scale and A/R methodologies only project participants may submit a proposed new methodology. Hence, these procedures may be amended to allow the submission by a host country's designated national authority of a standardized baselines derived from existing methodologies.

V. Top-down approach: Standardized baselines developed by the Board

19. Based on the mandate by CMP 6 (see paragraph 3 above) the Board may :

- (a) Develop new methodologies using standardized baselines, and/or



- (b) Revise approved methodologies to include standardized baselines, which may include qualitative and/or quantitative standardized baselines applicable to underrepresented regions.

20. The development of new methodologies that include standardized baselines as well as the application of approved methodologies to production of standardized baselines by the Board may be done according to the current procedures.

21. The Board may start the development of four standardized baselines as stated in the CDM Management Plan 2011. The Board may wish to agree which four standardized baselines the Secretariat and the Meth Panel/Working Groups should start their work on, taking into account priorities set by CMP 6 (paragraph 46 in decision 3/CMP.6).

22. The development of standardized baselines may include the following activities:

- (a) Consultation with relevant designated national authorities, including questionnaires, specific slots in the DNA forums and a workshop to be organized in September 2011 to enhance the understanding in a country with less than 10 projects;
- (b) Conduction of a practitioners Workshop for specific sectors. A first workshop could be organized in conjunction with thirty fourth meeting of the Subsidiary Body for Scientific and Technological Advice in June 2011;
- (c) Consultation with industry organizations as well as specific sectors' experts.
- (d) The Board at its sixtieth meeting may launch a call for public inputs for which project types standardized baselines should be developed.

VI. Next Steps

23. The Board may request the secretariat to:

- (a) Revise the relevant procedures in order to allow the submission of standardized baselines by a host country's designated national authority;
- (b) Draft new procedures for the assessment of qualitative and quantitative standardized baselines derived from the application of approved methodologies or tools;
- (c) Prepare a draft general framework for standardized baselines for consideration by the Methodologies Panel and Working Groups and approval by the Board;
- (d) Recommend a work programme for top down development of standardized baselines, including a proposal for the first four standardized baselines to be developed
- (e) Work on developing standardized baselines ;

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Annex 1: Extract of Decision 3/CMP.6 on Standardized Baselines

Further guidance relating to the clean development mechanism

The Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol,
Recalling the provisions of Articles 3 and 12 of the Kyoto Protocol,

Noting that standardization is being used in some approved baseline and monitoring methodologies under the clean development mechanism,

Recognizing that baseline and monitoring methodologies using standardized baselines can be developed, proposed by project participants and approved by the Executive Board of the clean development mechanism under the modalities and procedures adopted by decisions 3/CMP.1 and 5/CMP.1,

Recalling that standardized baselines under the clean development mechanism should be broadly applicable, provide a high level of environmental integrity and take into account specific national, subnational or international circumstances, as appropriate,

Noting that the use of standardized baselines could reduce transaction costs, enhance transparency, objectivity and predictability, facilitate access to the clean development mechanism, particularly with regard to underrepresented project types and regions, and scale up the abatement of greenhouse gas emissions, while ensuring environmental integrity,

V Standardized baselines

44. *Defines* a “standardized baseline” as a baseline established for a Party or a group of Parties to facilitate the calculation of emission reduction and removals and/or the determination of additionality for clean development mechanism project activities, while providing assistance for assuring environmental integrity;

45. *Decides* that Parties, project participants, as well as international industry organizations or admitted observer organizations through the host country’s designated national authority, may submit proposals for standardized baselines applicable to new or existing methodologies, for consideration by the Executive Board;

46. *Requests* the Executive Board to develop standardized baselines, as appropriate, in consultation with relevant designated national authorities, prioritizing methodologies that are applicable to least developed countries, small island developing States, Parties with 10 or fewer registered clean development mechanism project activities as of 31 December 2010 and underrepresented project activity types or regions, inter alia, for energy generation in isolate systems, transport and agriculture, taking into account the workshop referred to in paragraph 51 below;

47. *Decides* that the application of the standardized baselines as defined in paragraph 44 above shall be at the discretion of the host countries’ designated national authorities;



48. *Requests* the Executive Board to periodically review, as appropriate, the standardized baselines used in the methodologies;
49. *Also requests* the Executive Board to explore different financial sources to cover the costs of developing and establishing standardized baselines, according to the needs identified in paragraph 46 above, including direct resources from the annual budget of the clean development mechanism;
50. *Encourages* Parties included in Annex I to the Convention and Parties not included in Annex I to the Convention with relevant experience to provide capacity-building and/or support for developing standardized baselines;
51. *Requests* the secretariat to organize a workshop in one of the Parties referred to in paragraph 46 above not later than the thirty-fifth session of the Subsidiary Body for Scientific and Technological Advice on the issue of standardized baselines for facilitating access to the clean development mechanism;
52. *Also 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 seventh session on its work on standardized baselines;