

**Annex 4****SUMMARY OF THE PUBLIC COMMENTS TO THE
“TOOL FOR BASELINE SCENARIO IDENTIFICATION AND BASELINE EMISSION
CALCULATIONS”****(Version 01)****I. Background**

1. The clean development mechanism (CDM) Executive Board (hereinafter referred to as the Board), at its fifty-eighth meeting, agreed to open a call for public inputs from 1 December 2010 to 12 January 2011 on the following draft tools:

- (a) “Draft tool for baseline identification”;
- (b) “Draft tool for baseline emission calculation”;
- (c) “Draft tool for the determination of the most attractive alternative of a CDM project component”.

2. In total, the UNFCCC secretariat received eleven (11) inputs from different stakeholders.

II. Summary of comments

3. In total, eleven submissions have been made in answer to the call for public inputs on the draft “Tool for baseline scenario identification and baseline emission calculations”. The submitters and their respective affiliations are listed in Table 1.

Table 1: Submitters and their affiliation

Ref. no.	Submitter	Affiliation	Country
1	Jiwan Acharya	Asian Development Bank	Multinational organization
2	Ambachew F. Admassie	Ethan Bio-Fuels Ltd.	Ethiopia
3	Werner Betzenbichler	DOEs and Independent Entities Association	Multinational organization
4	Bruce Brook	Lihir Gold Limited	Australia
5	Ana Carnal	Zero Emissions Technologies	Spain
6	Henry Derwent	International Emissions Trading Association	Multinational organization
7	Stephan Hoch	Albert-Ludwigs-Universität Freiburg	Germany
8	Dessalegne Messfin	DNA Ethiopia	Ethiopia



Ref. no.	Submitter	Affiliation	Country
9	Klaus Oppermann	World Bank	Multinational organization
10	Gareth Philips	Project Developer Forum	Multinational organization
11	Karun Hriday Sharma	Green Positive Consultants	India

1. Purpose of the tool

4. The most fundamental question raised by many comments is how the tools should be applied. Comment [3] states that these tools represent a “new class of tools” in the sense that so far, tools treated specific aspects of methodologies, whereas the proposed tools want to generalize the baseline section of all baseline methodologies. Therefore, many commentators want a clarification about the exact purpose of these three tools:

- (a) Are they mandatory or optional? [4, 6, 9, 10]; all these commentators want the tools to be optional, with [9] proposing that project developers may apply their own approach if it is more accurate than the tools. [4] asks whether the tools would be applied retroactively;
- (b) Are they applied as package or can one pick single tools? [6, 10];
- (c) Should they serve as independent methodologies or rather as guidance on method development? [3, 6, 9]. Comment [9] stresses that approved methodologies override tools as per the hierarchy of decisions and the tools thus could just be seen as guidance. Comment [3] fears that well-established guidance could be superseded, whereas [10] fears that all existing methodologies would have to be revised. Generally, inconsistencies between existing methodologies / guidance documents and the tools are stressed [3, 6, 9], where it is unclear how they would be resolved.

2. Structure of the tool

5. Generally, the tools are seen to be very (“incredibly” [10]), if not unnecessarily complex [1, 6, 9, 10]. One issue is their language and presentation [9]. The tools introduce new terminology, which is sometimes unnecessary [9]. The tools for the determination and the calculation of the baseline could be unified in one single tool [1]. The tool could be restructured in a way that the Methodological Approaches for Baseline Setting” (MABS) are grouped in an appendix [1]. Furthermore, the understanding could be supported through some more graphs and flow diagrams [9, 10]. The transaction cost for PDD developers would increase substantially and run counter the current call for simplification and standardization [10]. Moreover, designated operational entities (DOEs) see the complexity as hurdle to recruit qualified auditors [3].

6. The tools for the determination and the calculation of the baseline are inconsistent as they contain a different number of MABS (4 vs. 5). [9].

3. Comments on the tool for baseline identification

7. The tool addresses definition of project alternatives and treatment of suppressed demand; it introduces a new concept called “Methodological Approaches for Baseline Setting” (MABS) which tries to standardize all project types into five kinds of emission reduction.



8. [9] thinks that the introduction of new terms related to MABS is unnecessary. For some project types such as the conversion of a steam into a gas turbine, MABS 1 and MABS 2 could not be separated. [1] argues that in MABS 1 it is difficult to uniquely define baseline fuel/feedstock in combination with project efficiency; therefore he proposes to allocate fuel/feedstock switch to MABS 1 and the efficiency improvement to MABS 2, or as an alternative define MABS 1 as relating to both baseline fuel/feedstock and baseline system efficiency. With regard to MABS 3, [9] wants to refine the categorization with regards to waste water treatment and landfill gas because they differ from industrial gas projects by being able to influence the emissions level through their operation.

9. When it comes to differentiating project components into different MABS, [2] is of the opinion that the rule “a given amount of output shall not be considered to displace more GHG intense output at the producer side (using MABS 2) as well as at the user side (using MABS 5)” should be applicable only when the producer and the user are not within the same plant boundary.

10. [9] asks for a clear descriptions of the terms “output users”, “benchmark technology” and “benchmark fuel”. [2] argues that intermediate outputs should be covered in the definition of “output” and thus to change the definition of output to include “product containing an output as major component”.

11. [10] is of the opinion that the tool fails to address the E+/E- issue. [9] asks for more clarity through flow diagrams for steps 1-3. With regards to the project alternatives deemed as available by the tool, [9] asks for consideration of the type of project developer with respect to the definition of alternatives available to it. [2] argues that the requirement to prove that project developers invest in a more greenhouse gas intensive alternative to allow use of MABS 1 and 2 should be relaxed. The “minimum approach” in step 2 is seen by [9] as overly conservative; it should only be applied for cases where the baseline identification is not conclusive.

12. [10] criticizes that the tool would treat the delivery of goods supply to cover previously suppressed demand as capacity expansion, penalizing situations of suppressed demand. [9] and [2] question the assumption that historical consumption will first be displaced by other activities and sees it as overly conservative. For example, in the case of solar home systems; self production normally first replaces historical consumption. Also an individually identified consumer could increase consumption and thus this option should not be excluded. [1] asks for guidance how to address consumption increase once it has been identified, as well as specification of the requirements that validators need to check. Moreover, it calls for consistency with the procedure with the five MABS.

4. Comments on the tool for baseline emissions calculation

13. This tool specifies approaches for benchmark setting. [1] asks for better guidance on how to choose between historical/actual emissions and the benchmark. It also stresses that the term “benchmark” remains to be defined. [2] calls for coverage of greenfield plants, which he sees excluded by this tool, whereas [9] asks to apply this tool also for baselines defined by investment alternatives. [11] proposes that the current situation should never be used as baseline scenario.

14. The choice of the number of 10 facilities for the definition of the relevant area as well as global level for the industrial gas benchmark need to be substantiated [9].

15. [8] asks for special treatment of least developed countries (LDCs). [2] wonders why stringency level of benchmarks differs across MABS. According to [1], the possibility that demand remains suppressed is not sufficiently expressed (MABS 5)



5. Comments on the tool for the determination of the most attractive alternative

16. This tool defines alternative scenarios to the CDM projects, for which a barrier and then an investment analysis is done. [9] does not see a need for this tool as it only summarizes the Board guidance on investment and barrier analysis.

17. [6] asks for clarification of the term “CDM project component” and calls for a wording that would not use past Board decisions to prevent project developers to provide new information. Moreover, the new terminology of a project being “under way” needs to be elaborated, and such projects should not be used for the assessment of alternatives, as data on such projects are not easily available. A compromise would be to use projects that have started validation. [1] wants to limit this analysis to those projects that have already had a certified emission reduction issuance at the point of time where the proposed CDM projects has done its investment decision.

18. Regarding the area expansion in case of less than 10 comparable facilities, [6] asks to provide guidance how this area expansion is to be done – into countries with low emissions intensive or high emissions intensive facilities. According to [1], more flexible indicators or exemption should be provided for projects in countries with less than 10 registered projects.

19. [1] wants to restrict the barrier and investment analysis to those technologies that have been operational for at least three years. [6] proposes to limit the consideration of barriers to those barriers that are relevant for the project in question. It should be clarified for which alternatives has the sensitivity analysis to be undertaken?

20. With regards to the investment analysis for all relevant alternatives, [6] heavily opposes the approach, arguing that there are no credible data available and that the cost for project developers would be excessive. According to [6], one should compare the most profitable ways of increasing production. Eventually, one would need country or regional-level studies on marginal production cost increase. These should be provided by the Board in a top-down fashion.

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