



CDM: Recommendation Form for Small Scale Methodologies (version 01)
(To be used for presenting questions/proposals/amendments to the simplified methodologies for small-scale CDM project activity categories)

Date of SSC WG meeting:	22–25 August 2011, SSC WG 33
Title/Subject (give a small title or specify the subject of your submission, maximum 200 characters):	Clarification regarding baseline calculation in the case of a Greenfield project and provision of leakage in the case of a PoA for AMS-I.F
Indicative methodology to which your submission relates (refer the items of Appendix B of the Simplified Modalities and Procedures), if applicable.	AMS-I.F “Renewable electricity generation for captive use and mini-grid” AMS-I.A “Electricity generation by the user” AMS-I.D “Grid connected renewable electricity generation”
Name of the authors of the query:	Jiwan Acharya Institution: Asian Development Bank Jacharya@adb.org

Summary of the query:

Please use the space below to summarize the query related to SSC methodologies/categories SSC Modalities and Procedures provide recommendation/analysis of the SSC WG.

Original text from Stakeholder:

Technical Support Facility under Carbon Market Program of Asian Development Bank is encouraging project proponents in its Developing Member Countries (DMCs) to use CDM for promotion of GHG reducing projects and supporting several projects. It will be helpful if CDM EB / SSC WG clarifies the following aspects with respect to application of the methodologies:

I. Clarification regarding baseline emission calculation for green field projects

This clarification is in continuation of SSC_537 where in SSC WG allowed to use AMS I D and AMS I F in case of PoA. This is indeed helpful for promotion of the renewable energy projects.

Further to SSC_537 it was realised, that AMS I F does not have provision for determination of baseline in case there is no electricity usage prior to project activity.

Baseline determination in case of Green Field projects: AMS I F version 02 is designed for renewable electricity generation for isolated grids or for captive power generation where baseline scenario is likely to be fossil fuel based or carbon intensive electricity generation.

The methodology has indicated in para 6 that the methodology is applicable for project activities that:

- Install a new power plant at a site where there was no renewable energy power plant was operating prior to the project activity
- Involve capacity addition
- Involve a retrofit of an existing plant or
- Involve replacement of an existing plant

Baseline emission for an existing mini grid having fossil fuel based electricity generation is given in para 13 and 14. Baseline emission for captive power projects is given in para 15 and similarly, baseline emission for retrofit projects and / or capacity addition projects is described in para 17.

However, the methodology has not described how baseline emission can be calculated in case of green field project activities. A practical solution for baseline determination may be to consider emission from efficient power plant based on fossil fuel available in the region.

It will be useful if SSC WG / EB can clarify how to calculate baseline emission in case of green field projects under AMS I F or it will be permitted to use AMS I A in a PoA along with the AMS I F and AMS I D. One solution to this situation is to allow use of AMS I A (which allows absence of fossil fuel based power units in baseline) for a renewable electricity supply PoA along with AMS I D and AMS I F.

II. Clarification regarding provision of leakage calculation in case of PoAs

Para 21 of AMS I F, Version 02 has given guidance regarding leakage calculation for normal small scale projects. The provision is that 'If the energy generating equipment is transferred from another activity, leakage is to be considered'. This means that, if there is a new electricity generating equipment which is replacing an existing functioning fossil fuel powered project, then there is no need to calculate leakage. This is irrespective of the situation whether the fossil fuel power plant is functioning somewhere after replacement or scrapped.

However, calculation of leakage is different if there is replacement of fossil fuel electricity generator under a PoA. In such case, para 26 of the methodology has indicated that the replaced equipment should be scrapped. This is irrespective of the fact that the equipment is capable of generating electricity or not.

We see these provision from following perspectives:

- a. In case a project has option to join a PoA then for the same project there is a need to scrap a fossil fuel power project even if it has remaining useful life. On the other hand, if the project is implemented as a standalone CDM project, then there is no need to scrap the equipment under the same methodology.

Thus, for the same project and same methodology, emission reduction will be different just because the approaches of seeking CDM benefits are different. This discrimination not favouring the CPAs under a PoA may need to be removed especially in LDCs / SIDCs, special notified areas in large countries and countries with fewer registered CDM projects.

- b. The other reason for requesting a closer look on provision of para 26 is the usefulness of equipment. It should be noted that the developing countries (LDC's & SIDS in particular) are working under constrain of resources. Electricity access to poor is a privilege and it is indeed quite challenging to give them even this basic amenity. In fact, ADB is working in some DMC's and areas where in 90% of the area / population does not have access to electricity. In this context, scrapping equipment with available economic life does not seem to be justified.

The provision appears to be contradiction when we compare off grid renewable energy electricity projects with the expansion of a grid due to addition of a renewable energy project. There is no necessity to scrap part of grid equal to renewable energy projects. The differentiation of scrapping an equipment does not appear to be consistent for grid connected and off grid projects.

Hence, it will be useful if the PP is allowed to shift equipment to non electrified areas or allowed to increase access to electricity without evoking clause of scrapping the equipment.

- c. It should also be noted that generally all the equipment are prone to breakage / maintenance. If the original fossil fuel fired power plant is used as a standby power plant in case of emergency, then,

the same should be allowed.

In light of above issues we feel that the CDM EB / SSC WG should allow all new renewable energy project activities that will install new equipment exemption from scrapping of an existing fossil fuel generation plant when the fossil fuel plant is helping in increasing access to energy, while keeping the same requirements on leakage with the normal individual CDM projects that apply this methodology.

We will be grateful if CDM EB / SSC WG will clarify its views on above perspectives.

Recommendation by the SSC WG:

Please use the space below to provide amendments/change (in your expert view, if necessary).

Please refer to paragraph 23 of the meeting report of the SSC WG 33
<http://cdm.unfccc.int/Panels/ssc_wg>.

Answer to authors of query by the SSC WG:

Please use the space below to provide answer to the authors of the above query.

The small-scale working group of the CDM Executive Board would like to thank the author for the submission.

In response to the first issue raised regarding the baseline emissions calculation for Greenfield projects, the group agreed to clarify that in the situation where there is no electricity usage prior to the project activity, the methodology to be applied should be AMS-I.A not AMS-I.F and that the provisions under AMS-I.A should be followed for the baseline determination i.e. in this case, the baseline will be determined as the fuel consumption of the technology that would have been used in the absence of the project activity to generate the equivalent quantity of electricity.

The group also agreed to recommend to the CDM Executive Board to approve the combination of AMS-I.A with AMS-I.D and/or AMS-I.F in a PoA.

In response to the second query on leakage, the SSC WG agreed to carry out further analysis of: (i) The current requirements related to the scrapping of equipment as specified in various SSC methodologies; and (ii) The implications of these requirements on both regular SSC project activities and on PoAs.

Signed by the Chair, Ms. Fatou Gaye

Date: 25/08/2011

Signed by the Vice-Chair, Mr. Peer Stiansen

Date: 25/08/2011

Information to be completed by the secretariat

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