



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:	10–12 November 2008, SSC WG 18
Title/Subject (give a small title or specify the subject of your submission, maximum 200 characters):	Applicability of Baseline Penetration Factor in AMS-II.C and AMS-II.J
Indicative methodology to which your submission relates (refer the items of Appendix B of the Simplified Modalities and Procedures), if applicable.	AMS-II.C and AMS-II.J
Name of the authors of the query:	Mr. Srinivasan Ramaswamy Institution: Indo German Energy Programme, GTZ GmbH, New Delhi srinivasan.ramaswamy@gtz.de

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:

Baseline Penetration Factor

The methodology states:

“Baseline penetration factor (BP = 1-(# of pieces of screw-in or lock-in efficient lighting equipment/total # of pieces of screw-in or lock-in lighting equipment), based on ex ante representative sample survey;

BP is only applicable to ‘Project Activity under Programme of Activities (CPA of PoA)’ and in other cases set BP to ‘1.0’”

Analysis:

The concept of the Baseline Penetration Factor (BP) is normally is to capture the penetration of the project technology under business as usual case in the baseline situation.

The baseline for Energy efficiency activities implemented under CDM-PDD or a PoA-CPA are in both cases identical. In fact, this is not just limited to energy efficiency measures but any other sector like renewable.

The BP factor hence at best may be used by the project proponent to prove Additionality. Once Additionality is proven, both CDM-PDD or PoA-CPA, should earn CERs equivalently, as the course of natural justice is that.

Use of a BP factor for PoA-CPA generates less CERs in comparison with CDM-PDD.

Using discount factor like the baseline penetration factor, applicable only for PoA-CPA and NOT for regular CDM projects is not logical. Hence, *“Use of Baseline penetration factor should be withdrawn from PoA-CPA projects”*.

Justification:

Energy efficiency activities or any other activity (renewables) implemented under CDM-PDD or a PoA-CPA are in both cases are identical.

The role of the baseline penetration is to capture the penetration of project activity through business as usual measures or to measure impact of measures through subsidy or other prevalent schemes.

The BP factor may hence be at best a tool to be used by the project proponent to assess additionality. Once additionality is proven, either CDM-PDD or PoA-CPA, should earn CERs equivalently, in the course of natural justice. If the additionality is not proven, they do not earn any CER. The concept of providing CERs based on BP is thus not justified. In other words if a project passes additionality test then it should either get the full CERs or zero CERs.

Use of a BP factor for PoA-CPA generates less CERs in comparison with CDM-PDD. Whereas even if the number projects approved in a country on a certain measure e.g. hydro are more, they can through the PDD route earn full CERs without using BP. This is a strong disincentive for proponents to not to go for PoA.

Using discount factor like the baseline penetration factor, applicable only for pCDM-CPA and only for energy efficiency activity and NOT for regular CDM projects is discriminatory.

Clarification

Clarification is sought on the requirement of applying baseline factor in PoA-CPAs.

Recommendation by the SSC WG:

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

Please refer to paragraph 8 of the meeting report of the SSC WG 18 (http://cdm.unfccc.int/Panels/ssc_wg).

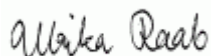
Answer to authors of query by the SSC WG:

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.

The SSC WG noted that this request, and other submissions, has elaborated a number of issues associated with the application of BP. The SSC WG is of the opinion that properly defined baselines are critical to ensuring that GHG emission reductions are incremental and thus consideration of BP and Net to Gross Adjustments (NTG) should be included in the analyses. However, the SSC WG understands that there is some potential confusion on how BP and NTG are determined and when they are applicable and therefore will continue to work to develop options for more thoroughly defining the calculation of NTG and BP and when they are applicable.

The SSC WG agreed to recommend a revision of AMS-II.C and AMS-II.J. The SSC WG's recommended revision is contained in annex 4 and annex 5 of the SSC WG 18 report.



Signature of SSC WG Chair

(Ulrika Raab)

Date: 12/11/2008



Signature of SSC WG Vice-Chair

(Kamel Djemouai)

Date: 12/11/2008

Information to be completed by the secretariat

SSC-Submission number	SSC_231
Date when the form was received at UNFCCC secretariat	12 November 2008
Date of transmission to the EB	12 November 2008
Date of posting in the UNFCCC CDM web site	12 November 2008