



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)

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| <i>Date of SSC WG meeting:</i> | 16–19 August 2010, SSC WG 27 |
| <i>Title/Subject (give a small title or specify the subject of your submission, maximum 200 characters):</i> | Expanding the applicability of AMS-III.X |
| <i>Indicative methodology to which your submission relates (refer the items of Appendix B of the Simplified Modalities and Procedures), if applicable.</i> | AMS-III.X “Energy Efficiency and HFC-134a Recovery in Residential Refrigerators” |
| <i>Name of the authors of the query:</i> | Anne Arquit Niederberger Institution: Policy Solutions policy.solutions@comcast.net |

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:

This is not a new Request for Revision. It provides additional input, as requested by the SSC WG in its responses to SSC_393 and SSC_430, and therefore also refers to materials submitted under these previous rounds of consideration. It therefore only responds to the remaining issues outlined in the SSC WG “final response” to SSC_430.

Prior to providing a substantive response to the SSC WG queries, however, I would like to request the SSC WG to review its current procedures for Requests for Revision. Both the efficiency and clarity may be improved in a manner that is beneficial to both the SSC WG and communicating entities. In question is the issuance of a “final response”, when in fact the SSC WG is really requesting further information before making a final ruling on a Request for Revision (RfR). This is more than just an issue of semantics; there are a number of consequential disadvantages to the current approach:

- Each time the SSC WG requests further inputs, the same RfR is assigned a new number. In the current case, we are now at the third number for the same RfR.
- Referring to a “final response” on a RfR is confusing to the entity that submits the RfR, when the response is either not really a decision or not final, but instead either conveys the intent to further consider the RfR in the future (as in the case of SSC_379) or merely a preliminary assessment and request for further input (e.g., SSC_430). It is also confusing that the responses must be submitted as a new RfR, even though a new RfR is not being made.
- Creates inconsistencies with the procedures for revisions of SSC methodologies: As the SSC is no doubt aware, the relevant SSC procedures state that the SSC WG shall take a decision on each RfR whether or not to modify the methodology accordingly. Thus “final responses” that request further submissions are not what is required to be issued on a RfR. Furthermore the RfR submission form requires that a draft methodology with changes highlighted be submitted, but this is not appropriate when the form is used only to respond to follow-up questions by the SSC WG (the original RfR

contains the marked up methodology).

- The official time limits for a new RfR are 4 weeks in advance of the next meeting, but this can cause delays when applied to submission of follow-up information under an existing RfR, if the additional info cannot be provided by that deadline (or, if it is agreed that the materials can be provided later, which was appreciated in the last round on this case, this is inconsistent with the WG's own rules on proposed new revisions). The delays related to additional inputs should be flexible, so as to allow the secretariat / SSC WG to agree with the RfR submitter on a mutually agreeable deadline that allows reconsideration of the RfR at the next meeting (for reference, this case was first submitted this RfR on 15 March 2010, and the earliest a revision might be recommended by the SSC WG is late August – and this is a priority methodology type for the SSC WG).

Thus it would be preferable to have the same system as for new methodologies, where each RfR submission only has one number, the SSC WG can make a preliminary recommendation and request further information (with a deadline specified in the response, to ensure treatment at the next WG meeting) and the responses are made available under the same RfR number. Your consideration of this feedback is most appreciated.

Moving to the substantive issues raised by the SSC WG (in the same order as in SSC_430):

- Determination of baseline refrigerator efficiency when old refrigerators are not taken back under the project activity: On this point, the SSC WG requested that we “consider providing another strategy for identifying avoided new refrigerator baseline efficiencies, such as documenting the efficiency of the top X% of refrigerators sold in the market or the use of fixed minimum standard efficiency tied to an existing rigorous national standard”. This response caused us some confusion because we, in fact, already offer four different options, which the project proponent may select from, depending on national circumstances and the design of the project activity, two of which correspond to those suggested by the SSC WG:
 - Option 3 allows project proponents to establish the baseline benchmark based on market data such as that suggested (documenting the efficiency of the top X% of refrigerators sold in the market), where the benchmark has been specified as the estimated average consumption of new refrigerators sold (of course, in the PDD, any PP is free to use a more stringent benchmark). I would like to point out that one of the main reasons that AM0070 has never been used is the lack of total market data to calculate – as opposed to data to estimate (as we have proposed) – a benchmark, coupled with the over-conservativeness of the 20% benchmark, despite its inherent attractiveness relative to AMS III.X. (e.g., no need to demonstrate additionality, no need to monitor the number of fridges still in service). We have attempted to integrate the lessons learned from AM0070 in revising this SSC methodology.
 - Similarly, the other alternative suggested by the SSC WG (use of fixed minimum standard efficiency tied to an existing rigorous national standard) is included as Option 1.

The SSC WG also expressed concern that a labeling scheme or other voluntary program might not be sufficiently rigorous, but voluntary label schemes are typically far more ambitious than mandatory national standards, when they co-exist. For example, in the case presented for China, the mandatory standard allows refrigerators of Class 5 (least efficient, on a scale of 1 to 5), whereas the voluntary label scheme only allows refrigerators of Classes 1 and 2. In summary, all four options are needed to address the circumstances of different host countries, but the project proponent must justify its choice of approach in the PDD and validation process. We are happy to answer any further questions that the SSC WG might have prior to the next meeting.

Furthermore, the SSC WG raised the issue of differences in refrigerator characteristics. The methodology only applies to household refrigerators (or fridge/freezer combos), which are typically treated as a single class in standards, label schemes or statistics, so the only variable is (adjusted) storage volume. When PPs choose Option 1 or Option 2, these standard and label programs typically index the efficiency limits to

(adjusted) storage volume by means of an equation. Since the PDD requires data on the technology distributed under the project activity, the correct baseline for that model can be determined (by plugging the volume into the equation), so the concern of the SSC WG, as we understand it, should already be addressed through this step.

In the case of Option 3, the benchmark selected will be data dependent. Most developing countries do not have published sales data, let alone disaggregated sales data by volume. In the China case presented, we therefore proposed to set the cutoff based on the mean refrigerator class of newly sold units, as documented in government statistics, and we are then able to use the efficiency requirement for that class (this is an equation that takes into account storage volume). However, other developing countries will not have such data available, which is why we suggest to be open to other approaches to estimate average energy consumption that rely on available data for the respective country (which will be considered during the public comment and validation process), as well as Option 4, to cater to poorer countries with typically no or very poor data, while still encouraging continual improvement through assumed baseline efficiency increases. Without this option the methodology requirement would effectively eliminate a very large number of developing countries.

We therefore do not think a matrix across all countries would offer environmental integrity advantages compared with the suggested approaches, because it would not be applicable in countries without such data and would be less accurate than national data or mandatory requirements in countries that do allow such approaches.

- Free ridership: Given that this is a simplified SSC methodology, we propose to not explicitly address free ridership in our methodology. On a conceptual level, the whole idea of benchmarking approaches is to credit savings beyond the benchmark, so the benchmark needs to be conservative (essentially taking into account “free ridership” considerations). This is why in our example PDD, we reject the national mandatory energy performance standard as the baseline option, as we know that in China many people are already buying refrigerators more efficient than the legal requirement (instead, we assume that the baseline reflects the distribution of classes of refrigerators actually sold). Furthermore, to our knowledge, there is no explicit requirement in other SSC methodologies for end-use efficiency to take free ridership explicitly into account, and we would advise against this as the available methods for quantifying free ridership are cumbersome, data intensive and by no means uncontroversial. We believe it is important to improve consistency across methodologies and to keep SSC methodologies truly simplified. In this case, instead of trying to quantify free ridership, we opt to qualitatively consider it in setting the baseline for the crediting period, which is common practice among SSC methodologies.
- Requirement to offer the project refrigerator at low or no cost: The SSC WG seeks to ensure that the baseline in the case of “old-for-new” exchange programs is not the purchase of a similar refrigerator. However, this has not been the approach taken by the SSC WG in the context of its relevant Type II methodologies to date. We think the current practice of assuming that the baseline is the old equipment for a fixed, 10-year crediting period or for the initial 7 years of a renewable crediting period is acceptable and should be applied consistently across SSC methodologies. In the case of AMS II.C., for example, which the SSC WG has said is also applicable to refrigerators, the energy baseline for “retrofits” is based on the power rating of the baseline technology: “Power of the devices of the group of “i” baseline devices (e.g., 40W incandescent bulb, 5hp motor). In the case of a retrofit activity, “power” is the weighted average of the devices replaced.” This is exactly the approach we are taking, by measuring the energy use of a sample of the replaced refrigerators. The proposed modifications would bring this methodology into line with other approved methodologies for this technology. In addition, according to Para. 18 of the guidance issued by the SSC WG (“Indicative Simplified Baseline and Monitoring Methodologies for Selected Small-Scale CDM Project Activity Categories (Version 13)”), the remaining lifetime of existing equipment “may be disregarded for household devices/appliances”.
- Direct installation: The SSC WG stated that baseline definitions and free ridership considerations

would need to be taken into consideration in order to eliminate this requirement, and we have addressed these issues in the points above. The WG also mentioned that the destruction of the baseline refrigerator is an important consideration – and the methodology already specifies that recycling of the old refrigerators taken back under “old-for-new” exchange programs is mandatory and must be monitored, so we believe this requirement is clearly met. It should be noted that AMS III.X. goes far beyond any other approved methodology in requiring recycling of old refrigerators taken back under exchange programs.

- Non-Kyoto greenhouse gases: The SSC WG did not explain why it is “unable to recommend” consideration of non-Kyoto greenhouse gases in the context of leakage, despite the size of this leakage term, but we would be grateful if the SSC WG or the CDM EB could do so. As we have pointed out, we believe consideration of leakage related to these gases in a net sense is fully consistent with the CDM Modalities & Procedures, the EB definition of leakage and other rulings on the topic of non-Kyoto gases by the EB as documented. We would therefore explicitly like to request the SSC WG to confirm whether there is any ruling that would prevent the SSC WG from approving the suggested revisions to treat these substances as leakage. If so, which ruling(s)? If not, why is the SSC WG unable to recommend the proposed revisions? Does the SSC WG have any substantive concerns about the proposed approach?

There is a strong environmental integrity case to be made for the CDM to address this important source of otherwise unregulated GHG emissions and to stimulate the construction of the necessary advanced recycling facilities in developing countries. Unlike the case of high-volume industrial HFC-22 destruction activities, advanced household refrigerator demanufacturing and Stage 2 recovery of fluorocarbons on its own is not profitable, without even taking into account the additional capital cost of building the required new recycling facilities, and the very small volumes of fluorocarbons to be considered as leakage would hardly allow a significant profit (refer to the example PDD for a calculation of the amount of leakage emissions to be expected). The recovery of ODSs at end-of-life is not regulated by the Montreal Protocol – and therefore a major concern going forward. According to the UNEP Technology and Economic Assessment Panel, annual emissions in excess of 400 Mt CO₂-eq can be avoided, if ODS banks reaching the waste stream are actively managed over the coming years. However the TEAP analysis goes on to conclude that the funding requirements “are too great to be handled in the traditional grant-funded manner. Above all, this Phase 2 Report recognizes that ‘the time is now’ because the ODS flows are already at their peak in terms of climate significance. The consequences of failure will be substantial in climate terms and the risks will have to be managed accordingly.” Treatment of ODSs outside of the project boundary in a manner consistent with the official definition of “leakage” is the only means of meeting this challenge by stimulating private investment in a timely fashion.

- Recycling leakage: The SSC WG now appears negatively inclined toward the request to account for leakage related to material recycling. The reason given under SSC_430 is that adding this component to the existing methodology “is not in line with the goal of having simplified small scale methodologies”. This position contrasts with the WG response to SSC_393, which suggested that we “may consider proposing conditions of comparable rigor [to AMS III.AJ.] for AMS-III.X, although the applicability of such additional requirements for a small scale activity may not be appropriate”. In response to the desire to balance rigor with simplicity, we have provided a robust, yet very simple approach based on default values, which we thought the SSC WG was trying to encourage. Because it was our intention to align this proposal with SSC goals, can the SSC WG please elaborate on how this proposal fails to do so? Recycling is the (positive) flip side of considering the transfer of old equipment taken back under SSC project activities, which has become a standard clause in almost all SSC methodologies. Unless the SSC WG formulates guidelines on which leakage terms should be considered to be in or out of line with the goal of having SSC methodologies, some rulings may give the appearance of being arbitrary.

We have explained the proposed methodological approach to determine this leakage term, which is based on best practice efforts of the steel and aluminium industries in applying ISO 14040, and justified the choice of default values and believe they are conservative. We would be happy to respond to any specific

concerns that the SSC WG might have with the proposed approach and/or default values. Including this legitimate net leakage parameter might make a small contribution to improving the viability of these household-scale measures under the CDM (in the example PDD provided, the recycling leakage term would add about 2% to the total amount of CERs, just enough to cover the Share of Proceeds for adaptation levied on the amount of CERs issued).

Recommendation by the SSC WG:

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

Please refer to paragraph 7 of the meeting report of the SSC WG 27 (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 procedure for request for revision of a methodology: The SSC WG noted the suggestion to align the procedure of request for revision with the one for submission of a new methodology. The SSC WG requested the secretariat to consider the inputs at the time of proposing to the Board a revision to the procedure for request for revision of a methodology, particularly for cases involving cross cutting issues or potentially requiring several rounds of discussion between the SSC WG and the project proponent.

Response to the request for revision of AMS-III.X: The SSC WG is of the opinion that there are substantial differences between the baseline scenario included in AMS III.X and the baseline scenario envisaged by the author of the submission. AMS-III.X is targeted at refrigerator replacement program in limited income communities, with continued operation of the existing refrigerators in the baseline (*'replacement program'*). In AMS-III.X baseline refrigerator energy consumption is based on measurement of replaced baseline units. A number of changes requested in the submission are directed at a baseline scenario where new project refrigerators are purchased instead of new baseline refrigerators (*'new purchase'*) that would have hypothetically been purchased by the end-user.

In the author's submittals, the SSC WG has not found that all of the issues related to the energy baseline for the 'new purchase' scenario have been resolved. Therefore, the SSC WG would prefer to deal with this scenario within the context of a separate methodology specifically aiming at the 'new purchase' scenario. This then allows the Group to recommend some other modifications as requested by the author that would also apply to the 'replacement program' at this meeting.

The small-scale working group is recommending the following changes in the proposed revised version of AMS-III.X as contained in annex 3 of the SSC WG 27 meeting report. :

- The requirement to conclude installations within the first year is removed
- Projects that do not claim emission reductions for recovering HFC are also allowed to use AMS III.X

The small-scale working group will not recommend changing the cap that was introduced by the Board on the share of CERs that can be issued for refrigerant emission reductions until it has reviewed projects that are submitted that actually exceed the cap.

As already outlined in previous discussions with the author of the submission, the small-scale working group will not recommend any changes to leakages related to non-Kyoto gases or metal recycling.

The small-scale working group would welcome a new submission for a separate methodology specifically targeted at the 'new purchase' scenario, if this methodology provides conservative options for the baseline (including guidance on how to select the most appropriate baseline option), and deals with the issues of free ridership and leakages (e.g. old refrigerators being used outside of the project boundary).

Signed by the Chair, Mr. Peer Stiansen

Date: 19/08/2010

Signed by the Vice-Chair, Mr. Hugh Sealy

Date: 19/08/2010

Information to be completed by the secretariat

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| Date when the form was received at UNFCCC secretariat | 19 August 2010 |
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