

## TOOL19

### Methodological tool

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## Demonstration of additionality of microscale project activities

Version 07.1



**United Nations**  
Framework Convention on  
Climate Change

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## 1. Introduction

1. The Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP), at its fifth<sup>1</sup> and sixth session<sup>2</sup> established simplified modalities for demonstrating additionality for project activities up to 5 megawatts that employ renewable energy as their primary technology and for energy efficiency project activities that aim to achieve energy savings at a scale of no more than 20 gigawatt hours per year. This methodological tool provides a general framework to demonstrate and assess the additionality of these project activities.

## 2. Scope, applicability, and entry into force

### 2.1. Scope

2. This methodological tool provides simplified modalities for demonstrating additionality for the project activity which meets one of the following criteria:
  - (a) Type I: Project activities up to 5 MW that employ renewable energy as their primary technology;
  - (b) Type II: Energy efficiency project activities that aim to achieve energy savings at a scale of no more than 20 GWh per year; or
  - (c) Type III: Other project activities not included in Type I or Type II that aim to achieve GHG emissions reductions at a scale of no more than 20 ktCO<sub>2</sub>e per year.

### 2.2. Applicability

3. Please refer to paragraphs 8 - 10.

### 2.3. Entry into force

4. The date of entry into force is the date of the publication of the EB 86 meeting report on 16 October 2015.

## 3. Normative references

5. Project participants shall follow the applicable provisions for the demonstration of additionality in the CDM Project Standard. This tool also refers to the following documents:
  - (a) "Assessment of debundling for SSC project activities";
  - (b) "General Guidelines for SSC CDM methodologies".

## 4. Definitions

6. The definitions contained in the Glossary of CDM terms shall apply.

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<sup>1</sup> Refer to decision 2/CMP.5, paragraph 24.

<sup>2</sup> Refer to decision 3/CMP.6, paragraphs 38 and 39.

7. The definition of SUZ provided in paragraph 8 and its footnote shall apply.

## 5. Methodology procedure<sup>3</sup>

8. Project activities up to five megawatts that employ renewable energy technology<sup>4</sup> are additional if any one of the conditions below is satisfied:<sup>5</sup>
- (a) The geographic location of the project activity is in one of the least developed countries or the small island developing States (LDCs/SIDS) or in a special underdeveloped zone (SUZ) of the host country;
    - (i) SUZ is a region in the host country (zone, municipality or any other designated official administrative unit) identified by the government in official notifications for development assistance including for planning, management, and investment satisfying any one of the following conditions using most recent available data:
      - a. The proportion of population with income less than USD 2 per day (PPP)<sup>6</sup> in the region is greater than 50 per cent;
      - b. The GNI per capita in the country is less than USD 3000<sup>7</sup> and the population of the region is among the poorest 20 per cent in the poverty ranking of the host country as per the applicable national policies and procedures;<sup>8</sup>
    - (ii) In cases where, based on the recommendation of the designated national authority of the host country,<sup>9</sup> the SUZ in the host country has been approved by Executive Board (hereinafter referred to as the Board) of the clean development mechanism (CDM), the list of such SUZ shall be maintained on the UNFCCC website (e.g. at <<http://cdm.unfccc.int/DNA/submissions/index.html>>). In the case of these

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<sup>3</sup> A positive list of technologies that are automatically defined as additional are included in the methodological tool “Demonstration of additionality of small-scale project activities” for which it is not required to satisfy the conditions indicated here.

<sup>4</sup> All technologies/measures included in approved Type I small-scale CDM methodologies are eligible to be considered. Furthermore, at its fifty-seventh meeting the Board clarified that all CDM project activities that meet the criteria specified in this methodological tool are eligible to apply the methodological tool irrespective of the scale of the approved CDM methodology applied to the project activity.

<sup>5</sup> Otherwise other means for demonstrating additionality shall be used (e.g. the tool “Tool for demonstration of additionality”, or the methodological tool “Demonstration of additionality of small-scale project activities”).

<sup>6</sup> Purchasing power parity.

<sup>7</sup> PPP or the World Bank atlas method or another comparable method.

<sup>8</sup> Information on per capita income or other economic indicators used for the ranking purposes shall be provided in USD.

<sup>9</sup> DNA recommendations will be based on conditions indicated in paragraph 8(a)(i).

SUZ listed on the CDM website there is no need for the project proponents to provide proofs as indicated in paragraph 8(a) above;<sup>10</sup>

- (b) The project activity is an off-grid activity supplying energy to households/communities (less than 12 hours grid availability per 24 hours is also considered “off-grid” for this assessment);
- (c) The project activity is designed for distributed energy generation (not connected to a national or regional grid)<sup>11</sup> with both conditions (i) and (ii) satisfied;
  - (i) Each of the independent subsystems/measures in the project activity is smaller than or equal to 1500 kW electrical installed capacity;
  - (ii) End users of the subsystems or measures are households/communities/small and medium enterprises (SMEs);<sup>12</sup>
- (d) The project activity employs specific renewable energy technologies/measures recommended by the host country designated national authority (DNA) and approved by the Board to be additional in the host country. The following conditions shall apply for DNA recommendations:
  - (i) “Specific renewable energy technologies/measures” refers to grid connected renewable energy technologies<sup>13</sup> of installed capacity equal to or smaller than 5 MW;
  - (ii) The ratio of installed capacity of the specific grid connected renewable energy technology in the total installed grid connected power generation capacity in the host country shall be equal to or less than three per cent;<sup>14</sup>
  - (iii) Most recent available data on the percentage of contributions of specific renewable energy technologies shall be provided to demonstrate compliance with the three per cent threshold. In no case shall data older than three years from the date of submission be used;

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<sup>10</sup> The process for the Board to consider and approve the SUZs proposed by DNAs is established in the procedure for “Submission and consideration of microscale renewable energy technologies for automatic additionality”.

<sup>11</sup> This means that projects applying “AMS-I.D: Grid connected renewable electricity generation” are not eligible. However, project activities generating thermal energy such as solar water heaters displacing grid-connected electric heaters can apply paragraph 8(c).

<sup>12</sup> “Communities” of consumers may for example include households, commercial facilities such as shops, public services/buildings and small, medium and micro enterprises (SMMEs); Applications may include lighting (interior, public street lighting), electrical appliances such as refrigerators, agricultural water pumps”.

<sup>13</sup> Renewable technologies that do not generate electricity, such as heating and cooling technologies, are not eligible.

<sup>14</sup> For example, if the ratio of total installed capacity of all grid-connected hydropower plants with the capacity equal to or smaller than 5 MW and the national grid-connected installed electricity generation capacity is less than three per cent in a host country then microscale hydropower is eligible for DNA recommendation in that host country.

- (iv) Technologies/measures recommended by DNAs and approved by the Board to be additional in the host country remain valid for three years from the date of approval. However, additionality of eligible project activities applying the methodological tool remains valid for the entire crediting period;
  - (v) DNA submissions shall include the specific grid connected renewable electricity generation technologies that are being recommended and provide the required data as indicated above (e.g. wind power, biomass power, geothermal power, hydropower).
- 9. Energy efficiency project activities<sup>15</sup> that aim to achieve energy savings at a scale of no more than 20 gigawatt hours per year are additional if any one of the conditions below is satisfied:
  - (a) The geographic location of the project activity is in an LDC/SIDS or SUZ of the host country identified by the government in accordance with the paragraph 8(a)(i) above;
  - (b) The project activity is an energy efficiency activity with both conditions (i) and (ii) below satisfied:
    - (i) Each of the independent subsystems/measures in the project activity achieves an estimated annual energy savings equal to or smaller than 600 megawatt hours;
    - (ii) End users of the subsystems or measures are households/communities/SMEs.
- 10. Other project activities not included in paragraphs 8 or 9 above, that is Type III project activities<sup>16</sup> that aim to achieve emission reductions at a scale of no more than 20 ktCO<sub>2</sub>e per year, are additional if any one of the following conditions is satisfied:
  - (a) The geographic location of the project activity is an LDC/SIDS or SUZ of the host country as identified by the government in accordance with the paragraph 8(a)(i) above;
  - (b) The project activity is an emission reduction activity with both conditions (i) and (ii) below satisfied:
    - (i) Each of the independent subsystems/measures in the project activity achieves an estimated annual emission reduction equal to or less than 600 tCO<sub>2</sub>e per year; and

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<sup>15</sup> All technologies/measures included in approved Type II small-scale CDM methodologies are eligible to be considered. Further, the Board at its fifty-seventh meeting clarified that all CDM project activities that meet the criteria specified in this methodological tool are eligible to apply the methodological tool irrespective of the scale of the approved CDM methodology applied to the project.

<sup>16</sup> All technologies/measures included in approved Type III small-scale CDM methodologies are currently eligible to be considered, except for “AMS-III.V: Decrease of coke consumption in blast furnace by installing dust/sludge recycling system in steel works”, “AMS-III.P: Recovery and utilization of waste gas in refinery facilities”, “AMS-III.Q: Waste Energy Recovery (gas/heat/pressure) Projects” and “AMS-III.W: Methane capture and destruction in non-hydrocarbon mining activities”. In the latter cases further analysis is required.

- (ii) End users of the subsystems or measures are households/communities/SMEs.
11. Project activities that meet the requirements specified in paragraph 8 or paragraph 9 or paragraph 10 above are termed “Microscale CDM project activities”.
  12. “Project activity” in paragraphs 8–10 means a small-scale or large-scale clean development mechanism (CDM) project activity or a project activity under a programme of activities (CPA of a PoA).
  13. In the case of bundled projects, “Project activity” in paragraphs 8–10 refers to individual projects within the bundle and this methodological tool are applied in conjunction with the methodological tool “Assessment of debundling for SSC project activities” excluding paragraph 7<sup>17</sup> of the latter methodological tool.
  14. The eligibility of project activities as microscale CDM project activities will be determined in accordance with the principles laid out in paragraph 3 and paragraph 4 of the “General Guidelines for SSC CDM methodologies” (version 16 or its update), that is:
    - (a) Project activities remain under the thresholds defined above during each year of the crediting period and in cases where ex ante projected emissions reductions show an increase during the crediting period; project activities that go beyond the microscale limits in any year of the crediting period are not eligible;
    - (b) Renewable energy projects that produce electrical, thermal and mechanical energy, and cogeneration projects are covered. Definitions provided for output capacity and guidelines provided for conversion from electrical to thermal units<sup>18</sup> in the most recent version of “General Guidelines for SSC CDM methodologies” shall be used. Where applicable, additional guidelines provided in relevant methodologies shall be followed for example eligibility of cogeneration projects as currently defined in “AMS-I.C: Thermal energy production with or without electricity”;
    - (c) A project activity with more than one component, where each component meets the microscale threshold, is eligible. The sum of the size of components of a project activity belonging to the same type (capacity for Type I, energy savings for Type II and emission reductions for Type III) shall not exceed the limits for microscale project activities (e.g. the limit for the methane recovery component is 20 ktCO<sub>2</sub>e/yr and the limit for the electricity production component is 5 MW output capacity).
  15. Microscale CDM project activities shall follow the applicable provisions for demonstration of prior consideration of the CDM in the CDM Project Standard.

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<sup>17</sup> This means that the following paragraph of the debundling methodological tool is not applicable: “If a proposed small-scale project activity is deemed to be a debundled component in accordance with paragraph 2 above, but total size of such an activity combined with the previous registered small-scale CDM project activity does not exceed the limits for small-scale CDM project activities as set in paragraph 6(c) of the decision 17/CP.7,<sup>3</sup> the project activity can qualify to use simplified modalities and procedures for small-scale CDM project activities”.

<sup>18</sup> That is multiply by three to derive thermal units from electrical units irrespective of the type of project or methodology applied.

16. Microscale CDM project activities shall demonstrate that they are not a debundled component of a small-scale (SSC) CDM project activity by applying the criteria in the methodological tool “Assessment of debundling for SSC project activities”, for example by suitably considering microscale thresholds in the place of SSC thresholds (EB 62, para 48).

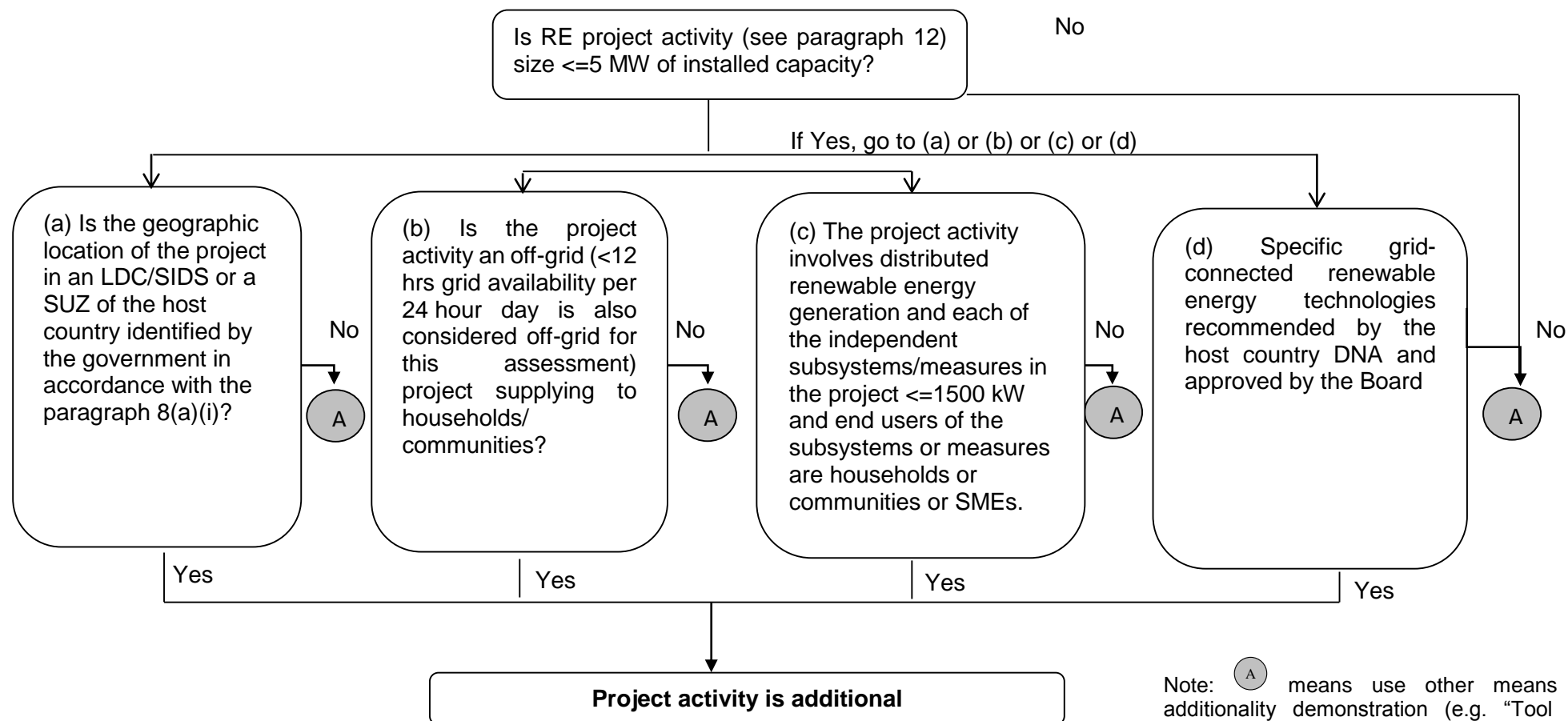
#### **5.1. Application of microscale thresholds at unit level of CPAs**

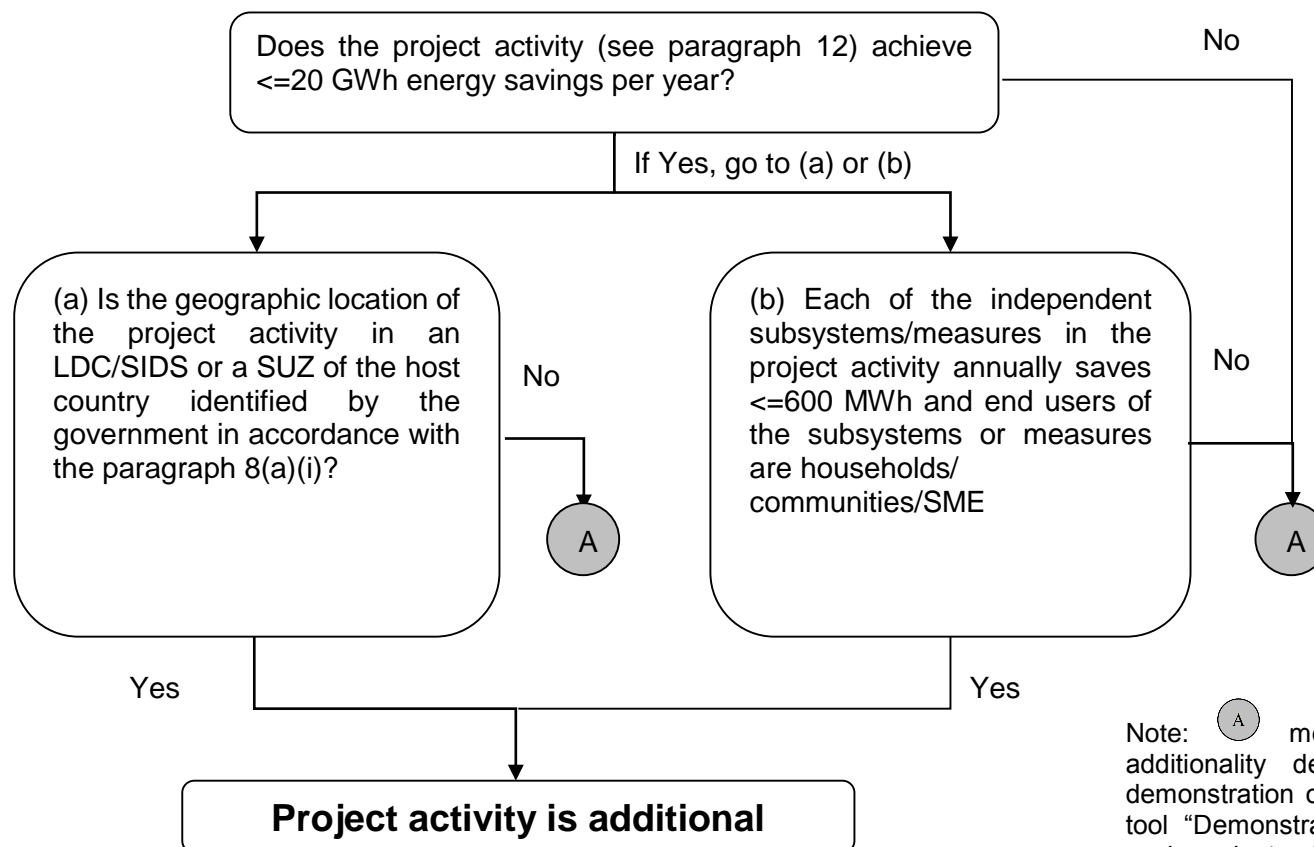
17. For CPAs applying microscale thresholds at the unit level rather than at the aggregate level of the CPA, the term ‘project activities’ in paragraphs 8 - 12 and 14 above shall be read as ‘units’<sup>19</sup>. If each of the units contained in the CPA satisfies the condition to qualify as a ‘microscale CDM unit’, then the coordinating/managing entity is not required to demonstrate compliance of the CPA with the microscale or small-scale thresholds at the aggregate level of the CPA. In such cases, the requirements related to debundling stated in paragraphs 13 and 16 above do not apply either.


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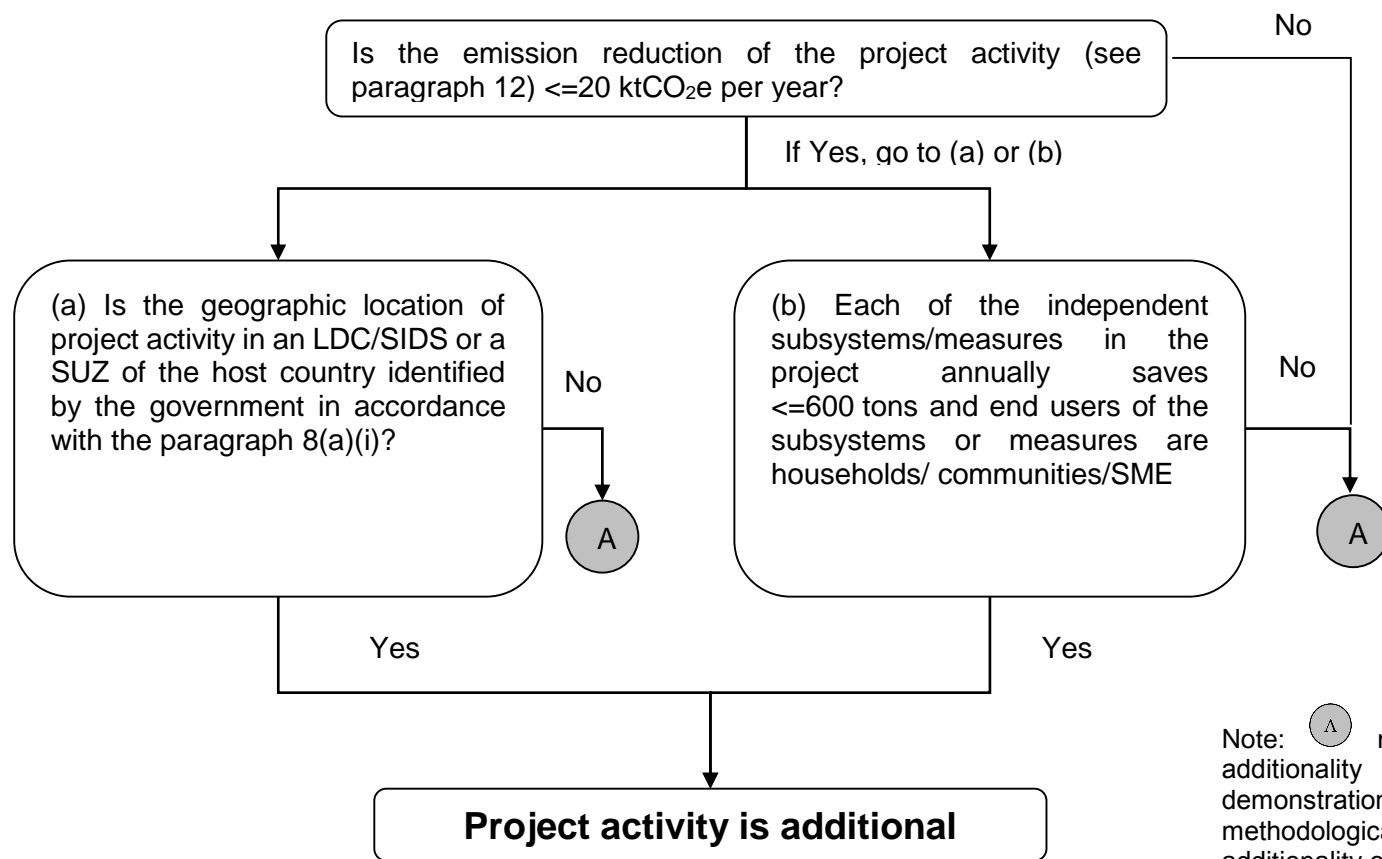
<sup>19</sup> Units are also referred to as “independent subsystems” or “technology/measures” in CDM regulatory documents.



**Figure 1. Microscale additionality test for RE project activities**

**Figure 2. Microscale additionality test for EE project activities**

Note:  means use other means of additionality demonstration (e.g. “Tool for demonstration of additionality”, methodological tool “Demonstration of additionality of small-scale project activities”)

**Figure 3. Microscale additionality test for project activities  $\leq 20$  ktCO<sub>2</sub>e/y**

Note: (A) means use other means of additionality demonstration (e.g. “Tool for demonstration of additionality”, methodological tool “Demonstration of additionality of small-scale project activities”)

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**Document information**

<i>Version</i>	<i>Date</i>	<i>Description</i>
07.1	05 December 2016	Editorial revision to correct paragraph numbering, typo in Figure 3 and include reference documents in section 3.
07.0	16 October 2015	EB 86, Annex 14 Revision to enable applying micro-scale thresholds at the unit level.
06.0	16 April 2015	EB 83, Annex 12 Revision to reclassify this document from a guideline to a tool.
05.0	31 May 2013	EB 73, Annex 13 - The revision updates a reference to the procedure “Submission and consideration of microscale renewable technologies for automatic additionality”.
04.0	20 July 2012	EB 68, Annex 26 Includes options to define the special underdeveloped zones in a host country; Clarifies the eligibility for project activities generating thermal energy such as solar water heaters displacing grid-connected electric heaters; Provides an example for the definition of “communities”.
03	29 September 2011	EB 63, Annex 23 Header removed that was inadvertently added to version 02; Provision of additional guidance on paragraph 2(d), specifically on the definition of the applicable threshold.
02	15 April 2011	EB 60, Annex 25 Title of document has been changed; Inclusion of Type III projects, CPAs, project activities with more than one component.
01	28 May 2010	EB 54, Annex 15 Initial adoption.

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