

CDM-EB77-AA-A06

Concept note

Further work on methodologies, tools and standards

Version 01.0



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1. Procedural background

1. In the clean development mechanism (CDM) two-year business plan 2014–2015 and management plan (MAP) 2014, under “Objective 1(c): Develop simplified and user-friendly standards and procedures that increase efficiency and ensure environmental integrity”, the CDM Executive Board (the Board) agreed to the work stream of simplification and streamlining of methodologies, tools, and standards. The Board mandated one specific deliverable¹ at its seventy-sixth meeting (EB 76) and requested that other deliverables be elaborated in a concept note and confirmed at EB 77. The Board specified that a volume of 20 methodologies/standards/tools be targeted for improvement or development.
2. Subsequent to EB 76, Parties at the ninth session of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP), under the agenda item on guidance relating to the CDM, requested specific actions in the area of standards (e.g. improvement and streamlining of the regulations for programmes of activities (PoAs) including analysis of the thresholds for component project activities (CPAs) to qualify as microscale activities in PoAs). In order to effectively address those new mandates in addition to the existing ones, additional resources will be necessary.
3. Furthermore there are specific mandates and requests by the Board to the secretariat through 2013 for delivery in 2014 in the area of standards which may not specifically fall under the work stream of simplification but have not been included under any other MAP 2014 projects or core activities. These have also been included here to facilitate resource estimation for any additional allocation depending on the priority.

2. Purpose

4. This concept note is to elaborate deliverables under the work stream of methodologies, tools and standards, including simplification and streamlining. The note distinguishes the proposed deliverables for the resources allocated at EB 76 from the new mandates arising from CMP 9 mandates. For the latter item, the secretariat will be able make a detailed proposal at EB 78 including resource estimation taking into account any guidance from EB 77.

3. Key issues and proposed work/actions

3.1. Key issue/mandate

5. The CMP at its ninth session, in paragraph 11 of the decision on “Guidance relating to the clean development mechanism”, reiterated its encouragement to the Board, as contained in decision 5/CMP.8, to continue its work on the simplification and streamlining of methodologies, with the aim of reducing transaction costs for all project activities and programmes of activities, especially those in regions underrepresented in the clean development mechanism.

¹ i.e. development of eligibility criteria for PoAs for greater applicability.

6. Also at its ninth session, in paragraph 12 of the decision on “Guidance relating to the clean development mechanism”, the CMP requested the Board to analyse the thresholds for CPAs to qualify as microscale activities in PoAs, taking into account regional circumstances while ensuring environmental integrity, and in paragraph 19 also requested the Board to further improve and streamline the regulations for PoAs, including those for PoAs with more than one host Party.

3.2. Proposed work/actions

3.2.1. Baseline and monitoring methodologies

7. Under the MAP 2013 the Board had envisaged simplification and consolidation of the following methodologies²: 1. AM0014; 2. AM0048; 3. AM0058; 4. AM0102; 5. AM0107; 6. ACM0012; 7. ACM0014. While good progress was made to identify areas to simplify and consolidate these methodologies in 2013, the work will be concluded in 2014 with greater emphasis on simplification as dictated by objective 1(c) referred to above. Similarly under the MAP 2013, the Board had requested the simplification of methodologies for energy efficiency in buildings considering standardized approaches and addressing suppressed demand issues where feasible. Progress was made in 2013. The remaining work will be done in 2014 and the revision of AM0091 will be concluded.
8. Progress was also made in 2013 to identify elements to broaden ACM0015 to enable the use of alternative raw materials at Greenfield cement kilns. The remaining work will be concluded in 2014 in consultation with stakeholders including industry associations and a revision will be proposed. Likewise, as per the mandate from the Board (EB 75 report, paras. 53 and 56), revisions to ACM0002 and AM0031 (and other related transport methodologies) to simplify and clarify definitions, monitoring requirements and requirements on additionality respectively will be concluded during 2014. Ongoing work on the revision of AMS-I.B to introduce standardized approaches and integrate suppressed demand will also be concluded during 2014. The Board has also mandated the Small-Scale Working Group and the secretariat to develop methodologies covering technologies for a specific industrial application (e.g. motor drive system) with standardized approaches for baseline-setting (EB 75 report, para. 67) which will be addressed during 2014..
9. The Board also requested that options related to sample-based surveys to reduce transaction costs, without compromising the environmental integrity of emission reduction estimates, be explored for small-scale project activities (EB 75 report, para. 60), which will be addressed in 2014.
10. Rigorous monitoring requirements specified in CDM methodologies often contribute to a high proportion of CDM transaction costs. A value addition analysis³ of monitoring

² Full titles of these methodologies are listed in the appendix to this concept note.

³ Assessment may include:

- (a) The use of default values or deemed saving values;
- (b) Reducing the accuracy requirement with discount factors while being conservative;
- (c) Specifying region-specific baseline emission factors for waste sector projects using IPCC first order decay model;
- (d) Simplifying the requirements for ex ante estimation of emission reductions where they are directly monitored (e.g. landfill projects applying ACM0001);

requirements specified and their relative impact on the emission reduction estimations will be undertaken in specific sectors (e.g. the waste, renewable energy and transport sectors) to identify opportunities to reduce transaction costs (e.g. some methodologies include requirements to undertake surveys/research and the results are compared with a conservative default in the methodology and discarded eventually in most cases (e.g. monitoring of reservoir area under ACM0002). In some cases, the survey outcomes may be insignificant or the outcomes may be near identical among projects. Taking into account experience gained, the monitoring steps will be simplified to reduce transaction costs.

11. Large-scale and small-scale CDM methodologies for similar applications will be mapped to analyse whether the differences are justifiable or whether harmonization is better, especially in projects that are likely to be implemented as PoAs (e.g. implementation of a number of small equipment). In cases where optimization is found more suitable modifications to methodologies will be proposed to include simplified approaches to reduce transaction costs. Some of the methodologies that will be targeted for simplification include AMS-I.E, AMS-II.G, AMS-II.J, AMS-II.Q and AMS-III.AR, for example using the simplified monitoring approaches used in AM0113.
12. As per the mandate from the Board, conditions restricting the application of some of the methodologies to PoAs were eliminated during 2013. The remaining methodologies will be addressed during 2014 with a view to ensure that all methodologies become eligible to be applied under the PoA framework. This will include, but is not limited to, referring to the approved biomass tool in methodologies sourcing biomass from dedicated plantations to make them PoA-eligible.

3.2.2. PoA-related standards

13. Per the MAP 2014, the Board has envisaged development of methodology- or technology-specific eligibility criteria to facilitate greater applicability of PoAs. Work will be done in 2014 to propose a minimum of three methodologies that will include standardized eligibility criteria.
14. The Board has also requested the secretariat to continue working on the issue of batched issuance requests for a monitoring period of a PoA (EB 75 report, paras. 42 and 43). The following aspects will be covered:
 - (a) To explore whether and under what conditions a request for issuance for the subsequent monitoring period can be permitted before all the requests for issuance for the previous monitoring period have been submitted;
 - (b) To assess the impacts of any negative emission reductions accruing to CPAs;
 - (c) To provide an analysis on the applicability of the requirements for verification indicated in paragraph 64 of the annex to decision 3/CMP.1.
15. Stakeholders have requested further clarity on the definition of different technology types within the CDM rules for PoAs which directly affects the preparation of PoA documents and hence the transaction costs (e.g. besides the project proponents, the DOE/AIE Coordination Forum meeting in October 2013 as well as the 20th DOE teleconference have raised the issue with reference to paragraph 143 of the Project Standard). Similarly

 - (e) Including a dynamic baseline based on a benchmark emission factor as in the case of ACM0019.

stakeholders have requested clarification on the possibility of the revision of eligibility criteria in the registered PoA design document (PoA-DD) (e.g. the issue was raised in the 19th DOE teleconference. The provisions for changes to the eligibility criteria of a registered PoA are currently limited to changes initiated by the Board. No provisions for project participants to initiate such revisions have been included). Work will be undertaken in 2014 to address those issues.

3.2.3. Additionality

16. Under the MAP 2013, the Board had envisaged revising consolidated methodology ACM0022 “Alternative waste treatment processes” to introduce standardized approaches for additionality demonstration. Progress was made in 2013. The remaining work will be concluded during 2014. Furthermore methodologies requiring consideration of certified emission reduction (CER) revenues in the additionality demonstration (e.g. some specific methodologies in the transport sector) will be revised to eliminate that requirement. In addition a report containing an analysis of lessons learned from developing standardized approaches for additionality demonstration will be prepared as requested by the Board to identify whether any further work will be required in 2015 to improve the approaches to demonstrate additionality.

3.3. Additional CMP 9 mandates

17. The CMP has mandated the Board to analyse the thresholds for CPAs to qualify as microscale activities in PoAs (“Guidance relating to the clean development mechanism”, para. 12) and to further improve and streamline the regulations for PoAs, including those for PoAs with more than one host Party (para. 19).
18. The Board was requested to examine alternative approaches to the demonstration and assessment of additionality (para. 14).
19. The Board was requested to analyse allowing the validation of monitoring plans for small-scale and microscale project activities and PoAs before their first verifications (para. 10).
20. The Board was requested to report to the CMP at its tenth session on criteria established to determine whether a project activity or component project activity is a continuation or modification of another project activity or component project activity, and, if necessary, to also make recommendations on possible changes to the modalities and procedures for the clean development mechanism (para. 17).

3.4. Additional Board mandates not covered under the area of simplification

21. The Board requested that the default values in annex A to the “Guidelines on the assessment of investment analysis” be updated taking into account the latest available data (EB 75 report, paras. 57 and 95).
22. With regard to flexibility in the timing of verification of afforestation and reforestation (A/R) projects, the Board requested the secretariat to prepare a concept note including consideration of whether the provisions contained in paragraph 71 of the report of the sixty-second meeting of the Board can be applied to the issuance of temporary and long-term CERs and taking account of work being undertaken on related issues by the

Subsidiary Body for Implementation and the Subsidiary Body for Scientific and Technical Advice (EB 75 report, para. 48).

23. The Board requested the A/R Working Group and the secretariat to provide additional inputs on rationale that would justify the continuation of exceptions allowed for A/R project activities and A/R PoAs as indicated in paragraph 128(c) and footnote 18 of the Project Standard (version 04.0) (EB 75 report, para. 43).

4. Action points/proposals

24. Research and analysis and extensive stakeholder consultation will be conducted at every stage. The work will be undertaken with the involvement of the relevant panel and working group from the early stages of work.
25. More guidance, simplification and best practice examples are likely to facilitate implementation of CDM projects, particularly in least developed countries.

5. Proposed work and timelines

26. Based on the feedback from the Board on the above issues as well as any additional issues that the Board considers should be addressed, the secretariat will conduct further work and provide recommendations during 2014.

6. Recommendations to the Board

27. The Board may consider the above proposal and provide a mandate to the secretariat to plan and do the work for the quantum of resources allocated at EB 76. For the other issues and new mandates indicated in section 3.3 and 3.4, the Board may wish to request the secretariat to prepare a detailed proposal for the consideration of the Board at EB 78.

Appendix. Titles of methodologies

1. AM0014: Natural gas-based package cogeneration
2. AM0048: New cogeneration project activities supplying electricity and heat to multiple costumers
3. AM0058: Introduction of a new primary district heating system
4. AM0102: Greenfield cogeneration facility supplying electricity and steam to a Greenfield Industrial Consumer and exporting excess electricity to a grid and/or project customer(s)
5. AM0107: New natural gas based cogeneration plant
6. ACM0012: Consolidated baseline methodology for GHG emission reductions from waste energy recovery projects
7. ACM0014: Treatment of wastewater
8. AM0091: Energy efficiency technologies and fuel switching in new buildings
9. ACM0002: Grid-connected electricity generation from renewable sources
10. AM0031: Bus rapid transit projects
11. AMS-I.B: Mechanical energy for the user with or without electrical energy

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Document information

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