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Annex 12

DRAFT GUIDELINES ON THE DEMOSNTRATION OF ADDITIONALITY OF SMALL-SCALE PROJECT ACTIVITIES[1]

COVER NOTE[2]

I. Executive summary

1. This note presents the proposed revised "Guidelines for demonstrating additionality of small-scale CDM project activities" submitted to the Executive Board (hereinafter referred to as the Board) of the clean development mechanism (CDM) for adoption. The revised guidelines (version 09.0) are attached to this note and the detail analysis with rationale for recommendation is contained in information note to this document (EB 68 annotations, annex 13).

II. Background

2. Decision/CMP.7 "encourages the Board to extend the simplified modalities for the demonstration of additionality to a wider scope of project activities, inter alia energy efficiency project activities and renewable energy based electrification in areas without grid connection, and to develop simplified baseline methodologies for such project activities".

3. The Board has requested an analysis of options to expand the positive list to technologies (EB 63 report, EB 67 report), in particular for the inclusion of technologies for electrification and isolated units of very small size (where the definition of small size is based on certain percentage of small-scale CDM threshold to be defined by the Board).

4. Inputs from the stakeholders received in response to call for public inputs, CDM round table consultations and during the 2012 CDM/JI Joint Coordination Workshop were taken into account in preparing the above documents. The Small-Scale Working Group (SSC WG) at its thirty-seventh meeting provided inputs to the proposed revised guidelines.

5. The main changes in the revised guidelines (version 09.0) are highlighted in yellow (in the document attached below).

III. Key issues for decision

6. The following are identified as the key issues for consideration and decision by the Board:

(a) Paragraph 2(c) of the revised guidelines for additionality of SSC CDM project activities: For the case of SSC CDM project activities or SSC Component Project Activities (CPA) comprising of distributed small units, is it appropriate to define additionality based on a criteria that takes into account the relative size of the units included and whether the service is being provided to households/communities/SMEs? Approval of the microscale

[1] The guidelines were previously entitled "Attachment A to Appendix B of simplified modalities and procedures for small scale CDM project activities".

[2] The reference to the annex number in paragraph 1 has been corrected from the previously published version.

additionality guidelines was with the rationale that aggregate size of the project (5 MW/20 GWh/20 kilo tonnes) itself was an indicator of barriers and therefore automatic additionality. It is argued barriers persist equally in the case of SSC CPAs or SSC CDM projects when the project involves aggregation of large number of small units providing services to household/communities/SMEs. Type of projects that satisfy this criteria include biogas digesters, improved cookstoves, CFLs/LEDs, solar water heaters, solar cookers, water purification units. If approved, the decision is likely to facilitate implementation of POAs. The Board needs to decide if [1%] or [5%] of small-scale CDM thresholds is the appropriate threshold for the units; with 5% of SSC threshold (e.g.750 kW capacity) as the limit 36% of current POA pipeline qualify while with 1% of SSC threshold (e.g.150 kW) 34% qualify;

(b) Paragraph 2(d) of the revised guidelines for additionality of SSC CDM project activities: The Board needs to decide if in the case of projects for electrification with renewable energy technologies, whether the current rural electrification rates in the country would be a suitable indicator for barriers and hence a proxy for demonstration of additionality (22% of the world's population have no access to electricity of whom 85% live in rural areas). If so whether [20%] or [10%] rate of rural electrification would be the appropriate threshold. With 20% threshold 46 countries qualify of whom 37 are LDCs, with 10% threshold, number shrinks to 30 countries;

(c) With criteria 2(c) and 2(d) approved in the SSC additionality guidelines, criteria 2(b) will add limited value, otherwise these criteria are seen as important steps. In these cases the upfront costs (e.g. capital costs of equipment together with CDM transaction costs) or the cost of electricity generation are used as the basis to derive the positive list since they continue to be barriers for the deployment of renewable energy technologies, more so in the case of off-grid renewable energy technologies such as solar photovoltaic (PV), PV-wind hybrid systems, biomass gasifiers, micro or pico hydro systems, wind electricity or pumping systems;

(d) The Board may wish to note that with respect to the type or projects indicated in criteria 2(a) to (c) above, although only a modest number of projects have been registered, it is seen that no project has been rejected or has undergone review so far on the grounds related to additionality demonstration.

IV. Proposed course of actions

7. It is proposed that the draft revised guidelines be considered and approved by the Board at its sixty-eighth meeting.

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GUIDELINES ON THE DEMONSTRATION OF ADDITIONALITY OF SMALL-SCALE PROJECT ACTIVITIES ~~Attachment A of Appendix B~~

(Version 09.0)

1. Project participants shall provide an explanation to show that the project activity would not have occurred anyway due to at least one of the following barriers:

(a) Investment barrier: a financially more viable alternative to the project activity would have led to higher emissions;

(b) Technological barrier: a less technologically advanced alternative to the project activity involves lower risks due to the performance uncertainty or low market share of the new technology adopted for the project activity and so would have led to higher emissions;

(c) Barrier due to prevailing practice: prevailing practice or existing regulatory or policy requirements would have led to implementation of a technology with higher emissions;

(d) Other barriers: without the project activity, for another specific reason identified by the project participant, such as institutional barriers or limited information, managerial resources, organizational capacity, financial resources, or capacity to absorb new technologies, emissions would have been higher.

2. Documentation of barriers, as per paragraph 1 above, is not required for the positive list of technologies and project activity types that are defined as automatically additional for project sizes up to and including the small-scale CDM thresholds (e.g. installed capacity up to 15 MW). The positive list comprises of:

(a) ~~list of~~The following grid-connected and off-grid renewable electricity generation technologies ~~that are automatically defined as additional, without further documentation of barriers, consists of the following grid-connected renewable electricity generation technologies of installed capacity up to 15 MW:~~

(i) Solar technologies (photovoltaic and solar thermal electricity generation);

(ii) Off-shore wind technologies;

(iii) Marine technologies (wave, tidal);

(iv) Building-integrated wind turbines or household rooftop wind turbines of size up to 100 kW;

(b) Following off-grid electricity generation technologies where the individual units do not exceed the thresholds indicated in the parenthesis with the aggregate project capacity not exceeding 15 MW threshold:

(i) Micro/Pico-hydro (with power plant size up to 100 kW);

(ii) Micro/Pico-wind turbine (up to 100 kW);

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(iii) PV-Wind Hybrid (up to 100 kW);

(iv) Geothermal (up to 200 kW);

(v) Biomass Gasification/Biogas (up to 100 kW);

(c) Project activities solely comprising of isolated units where the users of the technology/measure are households or communities or SMEs and where the size[3] of each unit is no larger than [1%] [5%] of small-scale CDM thresholds;

(d) Rural electrification[4] project activities using renewable energy sources in countries with rural electrification rates less than [20%] [10%]; most recent available data on the electrification rates shall be used to demonstrate compliance with the [20] [10] percent threshold. In no case shall data older than three years from the date of commencement of validation of the project activity shall be used.

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History of the document*

Version	Date	Nature of revision
09.0	2 July 2012	Published as an annex to the annotated agenda of EB68 Revision to expand the positive list to include: (i) grid connected household wind turbine; (ii) isolated units of very small size in distributed locations; (iii) rural electrification projects supplied with renewable energy sources; and (iv) selected off-grid renewable electricity generation technologies.
08.0	EB 63, Annex 24 29 September 2011	To include guidelines on positive list of grid-connected renewable electricity generation technologies that are automatically defined as additional.
Decision Class: Regulatory **Document Type**: Guideline **Business Function**: Methodology		

* This document, together with the 'General Guidance' and all other approved SSC methodologies, was part of a single document entitled: Appendix B of the Simplified Modalities and Procedures for Small-Scale CDM project activities until version 07.

[3] That is the size of each unit is under [150 kW] [750 kW] installed capacity or under [600 MWh] [3000 MWh] of energy savings per year or [600 tonnes] [3000 tonnes] of emission reductions per year.

[4] Rural electrification for the purpose of this document is defined as a project activity for supplying renewable electricity to facilities and energy consumers that do not have access to any electricity distribution system/network such as a national grid, regional grid. Such electricity end-use facilities may include but are not limited to households; public buildings; and/or small, medium and micro enterprises. Electricity uses may include but are not limited to interior lighting, street lighting, refrigeration, or agricultural water pumps.

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History of the document: Appendix B of the Simplified Modalities and Procedures for Small-Scale CDM project activities

Appendix B of the Simplified Modalities and Procedures for Small-Scale CDM project activities contained both the General Guidance and Approved Methodologies and 'Attachment A to Appendix B' until version 07. After version 07 the document was divided into separate documents: 'Attachment A to Appendix B', 'General Guidance' , and separate approved small-scale methodologies (AMS).		
Version	**Date**	**Nature of revision**
07	EB 22, Para. 59 25 November 2005	References to "non-renewable biomass" in Appendix B deleted.
06	EB 21, Annex 22 20 September 2005	Guidance on consideration of non-renewable biomass in Type I methodologies, thermal equivalence of Type II GWhe limits included.
05	EB 18, Annex 6 25 February 2005	Guidance on 'capacity addition' and 'cofiring' in Type I methodologies and monitoring of methane in AMS-III.D included.
04	EB 16, Annex 2 22 October 2004	AMS-II.F was adopted, leakage due to equipment transfer was included in all Type I and Type II methodologies.
03	EB 14, Annex 2 30 June 2004	New methodology AMS-III.E was adopted.
02	EB 12, Annex 2 28 November 2003	Definition of build margin included in AMS-I.D, minor revisions to AMS-I.A, AMS-III.D, AMS-II.E.
01	EB 7, Annex 6 21 January 2003	Initial adoption. The Board at its seventh meeting noted the adoption by the Conference of the Parties (COP), by its decision 21/CP.8, of simplified modalities and procedures for small-scale CDM project activities (SSC M&P).
Decision Class: Regulatory **Document Type**: Standard **Business Function**: Methodology		