

CDM-EB92-AA-A08

Concept note

Establishment of a new CDM project activity in a physical or geographical location of an existing CDM project (jointly by the MP and secretariat)

Version 01.0



United Nations
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Climate Change

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1. Procedural background

1. At its eighty-third meeting, the Executive Board of the clean development mechanism (CDM) (hereinafter referred to as the Board) (1) considered a concept note on a new project activity in the same physical or geographical location at which a CDM project activity (PA) or a component project activity (CPA) under a CDM programme of activities (PoA), whose crediting period has expired, existed; and (2) issued a clarification (CDM-EB83-A01-CLAR). The clarification specified that if the designated operational entity (DOE), coordinating/managing entity (CME) or project participant (PP) identifies that the proposed PA and/or CPA is in the same geographical location of a former (existing) project, they shall, prior to submitting a request for registration in accordance with the “CDM project cycle procedure”, submit a communication to the Board following the “Procedure: Direct communication with stakeholders”.¹ The Board requested the secretariat to reflect the agreed criteria and the process in the relevant regulatory documents.
2. In addition to the above, while agreeing to the criteria, the Board also:
 - (a) Requested the secretariat to analyse the extension of the applicability of the agreed criteria or identification of additional criteria applicable to PAs and CPAs of PoAs whose crediting period has not yet expired;
 - (b) Agreed to consider developing additional criteria, based on which certain cases may not need to follow the agreed process, at a future meeting.
3. At EB86, the Board considered a concept note on the establishment of a new project activity in a physical or geographical location of an existing CDM project and requested the secretariat to prepare a revised concept note jointly with the Methodology Panel (MP), taking into account the comments of the Board, and in particular to further analyse:
 - (a) Whether meeting all or part of the conditions elaborated in paragraph 13 of the concept note considered by the Board at its eighty-sixth meeting are sufficient to exempt a project activity from the communication procedure specified in the clarification issued by the Board at its eighty-third meeting (CDM-EB83-A01);
 - (b) Whether the distributed units can be exempted from following the communication process specified in the clarification issued by the Board at its eighty-third meeting (CDM-EB83-A01).
4. At EB89, the Board considered the concept note on the establishment of a new project activity in a physical or geographical location of an existing CDM project, and requested the secretariat and the MP to revise the concept note and provide additional analysis, taking into account the guidance from the Board provided below:
 - (a) The Board agreed with the proposed clarification to allow the establishment of a new project activity in a physical or geographical location of an existing CDM PA or CPA under a registered CDM PoA, whose crediting period has expired. Also, in principle the Board agreed to apply the clarification given in paragraph 6 and 7 of the appendix to projects whose crediting period has not yet expired.

¹ CDM-EB82-A09.

- (b) The Board requested the secretariat to include decision 3/CMP.9, paragraph 15, in the proposed clarification, which states that a PA or PoA that has been registered as a CDM PA or PoA may not be re-registered as a new CDM PA or PoA after the expiry of its crediting period.
 - (c) The Board requested the secretariat to redefine the requirements for exempting new PAs or CPAs that involve the implementation of distributed units in households.
5. This work relates to the activity 'Methodologies' under objective 1c: "Develop simplified and user-friendly standards and procedures that increase efficiency and ensure environmental integrity" with a resource allocation as referred to in table 4 in the appendix to the CDM two-year business plan 2016–2017 and management plan 2016 (EB87 report, annex 1).

2. Purpose

6. This concept note aims to address the issue of possibly extending the crediting period of an existing PA or CPA whose crediting period has expired.
7. This concept note:
- (a) Analyses the extension of the applicability of the agreed criteria and identifies criteria applicable to PAs and CPAs of PoAs, whose crediting period has not yet expired;
 - (b) Assesses whether distributed project activity types should be exempted from the communication process;
 - (c) Considers the development of additional criteria, based on which certain cases may not need to follow the agreed process.

3. Key issues and proposed solutions

3.1. Extension of the approved criteria

8. The secretariat analysed whether the criteria adopted by the Board at EB83 (CDM-EB83-A01-CLAR) could be extended to PAs and CPAs of PoAs whose crediting period has not yet expired.
9. The analysis concludes that the impact on the baseline, additionality and leakage remains the same, irrespective of whether the crediting period of an existing project has expired in a geographical or physical location where a new CDM project activity is being implemented.
10. **Solution:** To implement the extension elaborated above, the definition of 'former project' as defined in the clarification (CDM-EB83-A01-CLAR) would need to be amended to include projects where the crediting period has not expired as follows: "Former project – any registered CDM PA/CPA whose crediting period may or may not have expired and which has the same geographical location as the proposed PA/CPA". Thus, the Board's clarification and subsequently the regulatory documents would need to be modified to

include that it is mandatory to communicate with the Board and report on other CDM PAs/PoAs on the project location, regardless of whether their crediting period has expired.

3.2. Specific exemptions for household activities

11. Extending the criteria to cover PAs and CPAs of PoAs whose crediting period has not expired would improve the integrity of the estimated emission reductions. However, from the perspective of practical implementation, this may introduce an unreasonable burden for PAs that involve distributed units implemented in households. Various technologies (e.g. energy-efficient lamps, energy-efficient cook stoves, water purifiers, etc.) may be implemented, in parallel or in a phased manner, in the same physical location (i.e. households). Requiring PAs/PoAs involving distributed units implemented in households to communicate with the Board prior to registration would create an unnecessary barrier, as they are currently implemented without any impact on emission reductions.
12. **Solution:** In order to address the above circumstance, the secretariat and the MP recommend that the following additional condition could be included in the clarification: “Project activities involving distributed units implemented in households do not need to submit a communication to the Board in accordance with the ‘Procedure: Direct communication with stakeholders’, even if the proposed PA/CPA is in the same geographical location as a former project”. However, as per paragraph 9 of the appendix, the DOE is required to validate and confirm that the requirement in paragraph 6 of the appendix is met and justify its assessment in its validation report.
13. One additional issue that may arise in the proposed solution above is the possibility of the emission overlap between two different measures, however the current “Guidelines for the consideration of interactive effects for the application of multiple CDM methodologies for a programme of activities”² for identifying cross-effects would adequately address the issue of double-counting. The emission overlap might occur when implementing projects using distributed units in the same location where an on-going project exists, and the intentional extension of the existing project to receive certified emission reductions is less likely. Hence, project activities comprising different activities/technologies implemented in the household would be significantly affected if they are not exempted from the communication procedure.

3.3. Criteria to exclude certain project activity types undergoing the communication process adopted by Board

14. The Board requested the secretariat to identify criteria under which the communication process specified in the clarification (CDM-EB83-A01-CLAR) could be excluded.
15. The secretariat analysis concludes that if **all** the conditions specified in paragraph 16 below are met, PAs could be exempted from submitting a communication to the Board in accordance with the “Procedure: Direct communication with stakeholders” and are thus exempted from seeking prior approval from the Board before registration.
16. The following criteria require that the proposed project (i) does not lead to the discontinuation of the former project nor decrease the emissions of the former (existing)

² <https://cdm.unfccc.int/Reference/Guidclarif/meth/meth_guid49.pdf>.

project; and (ii) complies with **all** of these criteria in order to consider the proposed activity as new:

- (a) It utilizes both a different measure and a different technology than the former (existing) project (for example, a landfill site is converted into a wind park or solar park);
 - (b) It does not share or utilize any of the assets³ of the former project (for example, if it can be demonstrated that the two projects are unrelated even though they share one production facility);
 - (c) It utilizes a different resource type compared to the former (existing) project (for example, a wind resource is displaced by solar energy).
17. It is acknowledged that fulfilling **all** of the criteria in paragraph 16 above could be restrictive to the PPs. Nonetheless, there may be projects which would have an impact on the baseline emissions, baseline scenario, additionality and/or leakage emissions if not all criteria are met; therefore, these cases would be required to seek guidance from the Board prior to requesting registration.
18. The table below contains a summary of the secretariat's analysis, which reaffirms that the recommended criteria are necessary. The analysis demonstrates scenarios in which if not all criteria are met, there would be a possibility that the proposed activity would be a continuation of the existing activity.

³ Assets do not include land.

Table 1. Summary of the secretariat's analysed scenarios

Situation	Eligibility criteria			
	Different technology	Different measure	Different assets	Different resource
A landfill gas (LFG) recovery project (flare only) is displaced by a grid-connected wind power project in the same geographical location.	Yes	Yes	Yes	Yes
	<p>Recovered LFG was flared to destruct the methane in the former project activity and the new project activity (i.e. solar power project) displaced the landfill project whose crediting period has expired.</p> <p>In this case, the resource (municipal solid waste (MSW) vs. solar energy), technology (LFG recovery vs. solar photovoltaic), measure (methane avoidance vs. power generation) and assets (LFG facility vs. solar photovoltaic facility) for both projects are different within the same geographical location. Hence, it is clear that there are no issues with the baseline emission estimation, leakage or additionality, and the projects can thus be exempted from the communication procedure.</p>			
A new wind energy generation (WEG) project is installed within the same geographical location where an old WEG project already exists.	No	No	Yes	No
	<p>A 1.5 MW WEG project is displaced by a new 2.5 MW WEG project in the same geographical and physical location of the former project.</p> <p>In this case, the resource, technology and measure are the same, however the assets are different. Hence, in this scenario it would be difficult to eliminate projects from the communication procedure as a baseline and a leakage adjustment would be required in the methodology if the WEG still has an economic and technical lifetime.</p>			
An LFG project (flare only) is displaced by a moving grate incineration project without energy generation within the same geographical location.	Yes	No	Yes	No
	<p>Although in this scenario the technology (LFG recovery and moving grate incinerator) and assets (LFG recovery and moving grate incinerator) for both projects are different, the resource (MSW) and measure (methane avoidance) for both project activities are the same. Hence, in this scenario it would be difficult to eliminate projects from the communication procedure as the waste could have been treated in a similar fashion to that of the former project; therefore the baseline emission estimation needs adjustment.</p>			
A palm oil mill effluent and empty fruit bunch (EFB) methane avoidance project (flare only) is displaced by a grid-connected biomass-based power plant utilizing EFBs in the same facility as the palm oil mill.	Yes	Yes	Yes	No
	<p>The technology upward anaerobic sludge blanket (UASB) reactor (UASB reactor vs. power boiler), measure (methane recovery vs. power generation) and assets (waste water treatment facility vs. power generation facility) for both projects are different within the same industry. However, the resource (fresh fruit bunches) for both project activities is the same.</p> <p>It would be difficult to ascertain whether the resources used in the new project would have been treated in the former project, which would impact the way baseline emissions are estimated.</p>			

19. **Solution:** Therefore, the secretariat and MP recommend that the Board adopt the criteria in paragraph 16 so that the PAs that meet all criteria can be exempted from the communication procedure.

3.4. Clarification of the proposed procedure

20. The DOE, CME or PP required to submit a communication to the Board in accordance with the “Procedure: Direct communication with stakeholders” specified in the clarification (CDM-EB83-A01-CLAR) shall wait for the Board’s conclusion of its assessment of whether a project activity is a continuation of a former project prior to submitting a request for registration in accordance with the “CDM project cycle procedure”. The Chair of the Board, where necessary, may consult the relevant technical panels’ and working groups’ prior conclusions. In addition, as part of the regular validation procedure, the DOE shall confirm in the validation report the authenticity of the information provided by the PP to confirm that the implemented project activity is not a continuation of a former project.
21. For PAs and CPAs that are exempted from submitting a communication to the Board in accordance with the “Procedure: Direct communication with stakeholders”, the DOE shall confirm in its validation report that the conditions provided in paragraph 15 above are met and that the implemented project activity is not a continuation of a former project.

4. Impacts

22. Following the successful completion of this work, PPs and CMEs will gain clarity on the eligibility of a new PA/CPA being proposed under the CDM at the geographical location of a former (existing) project.

5. Subsequent work and timelines

23. The following work is planned if the Board agrees with the recommendations below:
- (a) The secretariat would immediately revise the Board’s clarification issued in EB83 (CDM-EB83-A01-CLAR); and
 - (b) The secretariat would revise the relevant regulatory documents, including the “CDM project standard”, “CDM validation and verification standard”, project design document form and CPA design document form by including, inter alia, relevant definitions and reporting requirements, as per the EB work plan.

6. Recommendations to the Board

24. The Board may wish to agree to:
- (a) Expand the scope of the clarification issued at EB83 (CDM-EB83-A01-CLAR) so that it is also applicable to PAs and CPAs of PoAs whose crediting period has not yet expired;
 - (b) Exclude distributed PAs/PoAs implemented in households from the communication process established in the clarification, if the DOE validates and confirms by other means that the requirement in paragraph 6 of the appendix is met by the new PAs or CPAs;

- (c) Adopt the criteria included in paragraph 16 and exempt project activities fulfilling **all** those criteria from seeking prior approval from the Board prior to registration;

Revise the clarification issued by the Board at EB83 (CDM-EB83-A01-CLAR) and direct the secretariat to incorporate the clarification subsequently in the relevant regulatory documents at its ninety-second meeting.

Appendix. New project activity at the same physical or geographical location at which a project activity whose crediting period has or has not expired existed (Version 02.0)

1. Introduction

1. The issue of the establishment of a new clean development mechanism (CDM) project activity (PA) in the same physical or geographical location at which a CDM PA whose crediting period has expired, previously existed was initially raised through a request for clarification by a project participant (PP), AM_CLA_0249: "Suitability of 'ACM0001: Flaring or use of landfill gas' (version 13) for an unplanned expansion of a CDM project activity", i.e. where a "new landfill" is constructed on top of a closed landfill registered as a CDM PA with a fixed crediting period that expired in December 2012 (project 0027).
2. Relating to this, the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol, through decision 3/CMP.9:

"15. Confirms that, after the expiry of its crediting period, a project activity or programme of activities that has been registered as a clean development mechanism project activity or programme of activities may not be re-registered as a new clean development mechanism project activity or programme of activities;

"16. Recognizes that a new project activity or component project activity could be registered at the same physical or geographical location at which a project activity or component project activity whose crediting period has expired existed, if the new project activity or component project activity is not a continuation or modification of the old project activity or component project activity;

"17. Requests the Executive Board to report to the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol at its tenth session on the implementation of paragraph 16 above, including 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".

2. Definition:

3. For the purpose of this clarification, the following definitions apply:

- (a) Measure:⁴ Measures are: fuel/feedstock switch, technology switch, methane destruction and methane avoidance;
- (b) Technology: ~~Means of output production using given type of~~ Equipment or conversion process used for the production of goods or provision of services ~~or undertaking the same course of action resulting in the same kind of effect.~~ Two different PAs/CPAs are considered to be using the same technology if they:
 - (i) Provide the same kind of output and use the same kind of equipment and conversion process; or
 - (ii) Undertake the same course of action which results in the same kind of effect (e.g. two projects using the same management practice such as fuel switching);
- (c) Assets: An asset is a resource with economic value that an individual, corporation or country owns or controls with the expectation that it will provide future benefit; the assets could be physical, such as project equipment, or non-corporeal such as permits and exclusive position in legislation. The definition of asset in the context of this clarification excludes land;
- (d) Output: ~~The amount of energy, work, goods or services produced by a technology, machine, factory, company, or an individual in a period for example, a PA/CPA utilizing waste heat for electricity generation~~ ~~changes switching to the use of waste heat to for drying purpose;~~
- (e) Resource: A source of supply or support needed for the production of an output ~~especially one that can be readily drawn upon when needed.~~ It may include categories of goods, energy and energy carriers which are supplied into the project location and are required for the implementation of the PA/CPA, such as fossil fuels, by-products of a process, biomass, water, solar, wind or geothermal heat;

3. Clarification

- 4. A project activity or programme of activities that has been registered as a clean development mechanism project activity or programme of activities may not be re-registered after the expiry of its crediting period.
- 5. The PP, coordinating and managing entity (CME) or designated operational entity (DOE) shall declare ~~information on the existence or not of whether~~ a registered CDM PA or component project activity (CPA) under a registered CDM programme of activities (PoA) ~~whose crediting period has or has not expired (former project) existed is existing or has existed~~ in the same geographical location⁵ as the proposed new PA/CPA.

⁴ "Guidelines for determining baselines for measure(s)" EB69 annex 21, <http://cdm.unfccc.int/Reference/Guidclarif/meth/meth_guid50.pdf>.

⁵ The geographical location includes the project boundary excluding the location of non-project-specific equipment such as electricity grid and district heating. It does not apply to distributed unit projects in which the project boundary consists of a region.

6. If a registered CDM PA or CPA exists in the same geographical location as the proposed new PA/CPA, the proposed new PA/CPA shall not lead to the (i) discontinuation of the abatement of the existing PA or CPA and (ii) not decrease the emission reductions or removals of the existing PA or CPA.
7. A proposed new PA or CPA can be deemed to comply with the requirement in paragraph 6 above if the following conditions are satisfied:
 - (i) it utilizes both a different measure and a different technology than the existing project; and
 - (ii) it does not share or utilize any of the assets of the existing project; ~~common assets~~ and
 - (iii) it utilizes a different resource type compared to the existing project.
8. If the conditions in paragraph 7 above are satisfied for the new PA or CPA, the DOE shall validate and confirm in its validation opinion that these conditions are met in its validation report.
9. If the proposed new PA or CPA involves the implementation of distributed units in households and the conditions in paragraph 7 above are not satisfied, the DOE shall validate and confirm by other means that the requirement in paragraph 6 is met and justify its assessment in its validation report. The DOE shall use its local and sectoral expertise to confirm that there is no overlap of different measures and where applicable, apply the “Guidelines for the consideration of interactive effects for the application of multiple CDM methodologies for a programme of activities” to address cross-effects.
10. In all other cases the PP of the proposed new PA or CPA shall submit a communication to the Board in accordance with the “Procedure: Direct communication with stakeholders”, prior to submitting a request for registration in accordance with the “CDM project cycle procedure.
11. The PP, CME or DOE, while submitting a communication to the Board in accordance with paragraph 6, shall explain that the new PA/CPA would not lead to the (i) discontinuation of the abatement of the existing PA or CPA and (ii) not decrease the emission reductions or removals of the existing PA or CPA, and include at least information on whether the proposed PA/CPA of a PoA uses the same measure, technology, assets, output, resource and any additional information pertaining to the establishment of baseline, additionality and leakage. The secretariat shall consult the communication with the relevant methodological panel and working group and present the outcome of the consultation to the Board for its consideration.
12. The Board shall respond to the communication indicating whether it deems that the requirement in paragraph 6 is adequately met. If the requirement is met, the DOE ~~In addition~~ as part of its regular validation, the DOE shall assess and confirm in the validation report the authenticity of the information provided by the PP or CME ~~to and~~ confirm that the requirements in paragraph 6 are met ~~proposed PA or CPA is not a continuation of a former project.~~

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