

CDM-EB70-AA-A09

Regulatory documents and concept note relating to standardized baselines

Version 01.1^{*}

DRAFT

^{*} This editorially revised version renames the requirements for changes to regulatory documents as “appendices”, amends paragraphs 5(a) and 5(b) of the cover note to correct document title references, and makes changes in appendices 1, 2 and 3 as noted in the corresponding document information tables.



COVER NOTE

1. Procedural background

1. The implementation of standardized baselines under the clean development mechanism (CDM) constitutes a project under the “CDM Management Plan 2012”. At its sixty-eighth and sixty-ninth meetings, the CDM Executive Board (hereinafter referred to as the Board) considered the concept notes and draft revised documents of the “Clean development mechanism project standard” (Project standard) and the “Clean development mechanism validation and verification standard” (Validation and verification standard), and the draft revised “Guidelines for completing the proposed new baseline and monitoring methodology form” (Guidelines for PNM) as a result of standardized baselines, and requested the secretariat to launch a public call for inputs and prepare a final draft for each of the three documents for consideration at its seventieth meeting.
2. The Board also considered a concept note on the impact of the update of standardized baselines on CDM project activities and requested the secretariat to undertake an analysis of the options related to the impact of update of standardized baselines on new and registered CDM projects, taking into account the public comments received, and to provide a proposal for the consideration by the Board.
3. After reflecting the guidance from the Board at its sixty-ninth meeting in the four draft documents above, the secretariat developed the current package of documents by incorporating comments and inputs received in a public call for inputs open from 27 September to 17 October 2012 and the sixth CDM Round Table on 12 October 2012.

2. Purpose

4. The objectives of this package of documents is to:
 - (a) Clarify the rules and requirements applicable to CDM project activities using “standards using standardized baselines” (hereinafter referred to as SSBs);
 - (b) Contribute to an effective implementation of SSBs under the CDM and to a more credible and scaled-up mechanism.

3. Key issues and proposed solutions

5. The following documents require consideration by the Board and are attached as appendices to the cover note:
 - (a) Appendices 1 and 2: Requirements for change in CDM project standard and CDM validation and verification standard in relation to standardized baselines:
 - (i) The key areas of requirements that are not applicable to CDM project activities using specified categories of SSBs are:
 - a. Demonstration of additionality: CDM project activities using specified categories of SSBs do not require demonstration of

additionality and/or prior consideration of the CDM, as the specified categories of SSBs include the additionality criterion (e.g. based on a positive list) that qualifies the CDM project activities as additional;

- b. Establishment of baseline scenario: CDM project activities using specified categories of SSBs do not require establishment of baseline scenarios, as the specified categories of SSBs include the standardized baseline scenarios;
 - c. Estimation of baseline emissions: CDM project activities using specified categories of SSBs do not require calculation of baseline emission factors and/or estimation of baseline emission as the specified categories of SSBs include standardized baseline emission factors and/or standardized baseline emissions.
- (b) Appendix 3: Requirements for change in CDM project cycle procedure in relation to standardized baselines:
 - (i) The key area of requirements that are not applicable to CDM project activities using specified categories of SSBs is demonstration of prior consideration of CDM project activities, which is impacted by the draft requirements for changes to the CDM project standard in relation to standardized baselines;
- (c) Appendix 4: Draft revised guidelines for completing the proposed new baseline and monitoring methodology form:
 - (i) The revision includes guidance for project participants who wish to propose a new baseline and monitoring methodology to be used in conjunction with a proposed standardized baseline;
- (d) Appendix 5: Concept note on the impact of updating standardized baselines on CDM projects activities:
 - (i) The concept note provides the following information:
 - a. Review and analysis of the comments made by stakeholders on the concept note (Annex 7, EB69 annotations) that discusses the impact of update of standardized baselines on CDM projects;
 - b. Proposal for the Board on the impact of update of standardized baselines on CDM projects.

4. Impacts

- 6. These regulatory documents will directly benefit project participants and DOEs by reducing their burden (e.g. time and cost) of PDD preparation and validation services especially in terms of additionality demonstration, baseline scenario establishment and baseline emission estimation.

5. Proposed work and timelines

- 7. The requirements set out in appendices 1, 2 and 3 will need to be converted into amendments to the PS, VVS and PCP, for possible adoption by the Board. The

secretariat will present to the Board, at its seventieth meeting, amendments to these documents to match the requirements set out in appendices 1, 2 and 3.

6. Recommendations to the Board

8. The secretariat recommends that the Board:
 - (a) Agrees to the proposed principles in the concept note on the impact of updating standardized baselines on CDM projects activities;
 - (b) Adopts the amendments to the PS, VVS and PCP relating to standardized baselines, including by inserting provisions relating to updating standardized baselines agreed by the Board,
9. The secretariat also recommends that the Board adopt the draft revised guidelines for completing the proposed new baseline and monitoring methodology form.
10. The secretariat further recommends that these regulatory documents come into effect on 23 November 2012.

TABLE OF CONTENTS	Page
APPENDIX 1 - REQUIREMENTS FOR CHANGE IN CDM PROJECT STANDARD IN RELATION TO STANDARDIZED BASELINES.....	6
APPENDIX 2 - REQUIREMENTS FOR CHANGE IN CDM VALIDATION AND VERIFICATION STANDARD IN RELATION TO STANDARDIZED BASELINES	11
APPENDIX 3 - REQUIREMENTS FOR CHANGE IN CDM PROJECT CYCLE PROCEDURE IN RELATION TO STANDARDIZED BASELINES	15
APPENDIX 4 - GUIDELINES FOR COMPLETING THE PROPOSED NEW BASELINE AND MONITORING METHODOLOGY FORM (VERSION 02.0)	16
APPENDIX 5 - CONCEPT NOTE ON THE IMPACT OF UPDATING STANDARDIZED BASELINES ON CDM PROJECT ACTIVITIES	49

Appendix 1 - Requirements for change in CDM project standard in relation to standardized baselines

1. Definitions

1. In addition to the definitions contained in the “Glossary of CDM terms”, the following terms apply in this Standard:
 - (a) **Standard using standardized baseline (SSB)** - is an approved standard that contains a standardized baseline (i.e. standardized additionality demonstration and/or standardized baseline scenario establishment and/or standardized baseline emission estimation). An SSB is comprised of either an approved methodology using standardized baseline (AMSB) or an approved standardized baseline (ASB) below:
 - (i) **Approved methodology using standardized baseline (AMSB)** - is an approved methodology that contains a standardized baseline (i.e. standardized additionality demonstration and/or standardized baseline scenario establishment and/or standardized baseline emission estimation) as well as other sections of an approved baseline and monitoring methodology including sources, definitions, applicability conditions, project boundary, project emissions, leakage, emissions reduction, changes required for methodology implementation in second and third crediting periods and data and parameters monitored;
 - (ii) **Approved standardized baseline (ASB)** - is an approved standardized baseline (i.e. standardized baseline scenario establishment and standardized baseline emission factor), that also contains applicable definitions, scope and applicability. An ASB is used in combination with an applicable approved baseline and monitoring methodology(ies) for a CDM project activity.

2. Requirements and other provisions

2.1. Categories of SSBs

2. There are three approaches to developing an SSB:
 - (a) By using the “Guidelines for the establishment of sector specific standardized baselines” (hereinafter referred to as approach 1);
 - (b) By using a methodological approach contained in an approved methodology (hereinafter referred to as approach 2);
 - (c) By using a methodological approach contained in an approved tool (hereinafter referred to as approach 3).
3. Four different types of SSB can be developed, depending on whether they are developed for:

- (a) Demonstrating additionality (hereinafter referred to as type 1);
 - (b) Establishing baseline scenario (hereinafter referred to as type 2)
 - (c) Establishing baseline scenario and estimating baseline emission (hereinafter referred to as type 3);
 - (d) Demonstrating additionality, establishing baseline scenario and estimating baseline emission (hereinafter referred to as type 4).
- 4. If approach 1 referred to in paragraph 2 above is used, then only type 4 of SSB can be developed. If approach 3 is used, then only type 3 of SSB can be developed. If approach 2 is used, then any type of SSB can be developed.
 - 5. By combining the approaches referred to in paragraph 2 above with the types referred to in paragraph 3 above, in accordance with paragraph 4 above, SSBs can be further classified into six categories, as set out in table 1 in the attachment.
 - 6. A category 6 of SSB is an approved standardized baseline (hereinafter referred to as ASB) while other categories of SSB are each an approved methodology using standardized baseline (hereinafter referred to as AMSB), as set out in table in the attachment.

2.2. General

- 7. For CDM project activities using category 1, 2, 3, 4 or 5 of SSBs, from paragraph 15 onwards of the Project standard, wherever the term “methodology(ies)”, “baseline and monitoring methodology(ies)”, “baseline methodology” or “monitoring methodology(ies)” is used, it shall be replaced with “AMSB(s)”.
- 8. For CDM project activities using category 6 of SSBs, from paragraph 15 onwards of the Project standard, wherever the term “methodology(ies)”, “baseline and monitoring methodology(ies)”, “baseline methodology” or “monitoring methodology(ies)” is used, it shall be replaced with “ASB(s) and baseline and monitoring methodology(ies)”

2.3. Selection of approved SSBs

- 9. Instead of paragraph 23 of the Project standard, the following applies to CDM project activities using any category of SSBs: “Project participants shall select an SSB(s) that has (have) been approved by the Board and is (are) applicable to the proposed CDM project activity (hereinafter referred to as the selected SSB(s)).”

2.4. Demonstration of prior consideration of the clean development mechanism

- 10. Requirements contained in paragraphs 26–29 of the Project standard are not applicable to CDM project activities using category 1 of SSBs.

2.5. Application of selected SSBs

2.5.1. Baseline scenario

- 11. Requirements contained in paragraphs 41–45 of the Project standard are not applicable to CDM project activities using category 1, 3, 4, 5 or 6 of SSBs.

12. Instead of paragraph 46 of the Project standard, the following applies to CDM project activities using category 1, 3, 4, 5 or 6 of SSBs: "Project participants shall describe the baseline scenario(s) as per the selected SSB(s)."

2.5.2. Additionality

13. Instead of paragraph 47 of the Project standard, the following applies to CDM project activities using category 1, 2 or 5 of SSBs: "For the demonstration of additionality of a proposed CDM project activity, project participants shall use the additionality criteria (e.g. positive lists) identified in the selected SSB(s)."
14. Requirements and provisions contained in paragraphs 48 and 49 of the Project standard are not applicable to CDM project activities using category 1, 2 or 5 of SSBs.

2.6. Specific requirements for small-scale project activities

15. Instead of paragraph 96 of the Project standard, the following applies to small-scale CDM project activities using category 1, 2 or 5 of SSBs: "For the demonstration of additionality of a proposed small-scale CDM project activity, project participants shall use the additionality criteria (e.g. positive lists) identified in the selected SSB(s)."

2.7. Post-registration changes

16. Instead of paragraph 220 of the Project standard, the following applies to CDM project activities using category 1, 2 or 5 of SSBs: "In cases where the proposed or actual changes affect the additionality of the registered CDM project activity, as referred to in paragraph 219(d) of the Project standard, the demonstration of the impacts of changes shall be based on the additionality criteria (e.g. positive lists) identified in the applied SSB(s)."

2.8. Renewal of crediting period

17. Requirements contained in paragraphs 226 and 227 of the Project standard are not applicable to CDM project activities using category 1, 3, 4, 5 or 6 of SSBs.

2.9. Update of SSBs

18. There may be a need for new requirements for CDM project activities using SSBs regarding the update of SSBs, in terms of frequency of update and applicability of the requirements.
19. Guidance from the Board on this issue will be sought when discussing the "Concept note on impact of updating standardized baselines on CDM project activities" at the seventieth meeting of the Board. Such guidance will be applied to propose, if needed and as appropriate, requirements on the update of SSBs in the amended CDM project standard to be presented at the seventieth meeting of the Board.

Attachment. Categories of SSB

Table **Categories of SSB**

	Type 1 (Demonstrating additionality)	Type 2 (Establishing baseline scenario)	Type 3 (Establishing baseline scenario and estimating baseline emission)	Type 4 (Demonstrating additionality, establishing baseline scenario and estimating baseline emission)
Approach 1 (Using the Guidelines for the establishment of sector specific standardized baselines)				Category 1 (AMSB)
Approach 2 (Using a methodological approach contained in an approved methodology)	Category 2 (AMSB)	Category 3 (AMSB)	Category 4 (AMSB)	Category 5 (AMSB)
Approach 3 (Using a methodological approach contained in an approved tool)			Category 6 (ASB)	

Document information

<i>Version</i>	<i>Date</i>	<i>Description</i>
01.1	9 November 2012	Amendment to paragraphs 4 and 5 to correct cross-referencing and insert missing text.
01.0	5 November 2012	Initial publication as an annex to the annotated agenda for EB 70.

Decision Class: Regulatory

Document Type: Standard

Business Function: Methodology

Keywords: standardized baselines, project activities

Appendix 2 - Requirements for change in CDM validation and verification standard in relation to standardized baselines

1. Definitions

1. All the definitions referred in “Requirements to the change in CDM project standard in relation to the standardized baselines” apply.

2. Requirements and other provisions

2. The categories of SSBs apply as per paragraph 2.1 of “Requirements to the change in CDM project standard in relation to the standardized baselines”.

2.1. General

3. For CDM project activities using category 1, 2, 3, 4 or 5 of SSBs, from paragraph 6 onwards of the Validation and verification standard, wherever the term “methodology(ies)”, “baseline and monitoring methodology(ies)”, “baseline methodology” or “monitoring methodology(ies)” is used, it shall be replaced with “AMSB(s)”.
4. For CDM project activities using category 6 of SSBs, from paragraph 6 onwards of the Validation and verification standard, wherever the term “methodology(ies)”, “baseline and monitoring methodology(ies)”, “baseline methodology” or “monitoring methodology(ies)” is used, it shall be replaced with “ASB(s) and baseline and monitoring methodology(ies)”.
5. The AMSB(s) and ASB(s) referred to in paragraphs 3 and 4 above refer to those selected by the project participants as per paragraph 9 in the “Requirements for change in CDM project standard in relation to the standardized baselines”. However, this replacement is not applicable to the term “validation methodology” in paragraph 146(a) of the Validation and verification standard.
6. Instead of paragraph 6 of the Validation and verification standard, the following applies to CDM project activities using any category of SSBs: “This Standard is applicable to designated operational entities (DOEs) that are under contractual arrangements with project participants to validate or verify any CDM project activities using SSBs.”

2.2. Validation approach

7. Instead of paragraph 20(a) of the Validation and verification standard, the following applies to CDM project activities using any category of SSBs: “(a) Determine whether the proposed project activity complies with the applicable requirements of paragraph 37 of the CDM M&Ps, the applicability conditions of the selected SSB(s) and guidance issued by the Board;”.

2.3. Application of the selected SSBs

2.3.1. Baseline scenario

8. Instead of paragraph 88 of the Validation and verification standard, the following applies to CDM project activities using category 1, 3, 4, 5 or 6 of SSBs: “The DOE shall determine whether the baseline scenario(s) for the proposed project activity described in the PDD is(are) the scenario(s) identified by the selected SSB(s).”
9. Requirements contained in paragraphs 89–91 of the Validation and verification standard are not applicable to CDM project activities using category 1, 3, 4, 5 or 6 of SSBs.
10. Instead of paragraph 92 of the Validation and verification standard, the following applies to CDM project activities using category 1, 3, 4, 5 or 6 of SSBs: “The DOE shall determine whether the description(s) of the identified baseline scenario(s) in the PDD is in accordance with the selected SSB(s).”
11. Requirements contained in paragraphs 93 of the Validation and verification standard are not applicable to CDM project activities using category 1, 3, 4, 5 or 6 of SSBs.
12. Instead of paragraphs 94 and 95 of the Validation and verification standard, the following applies to CDM project activities using category 1, 3, 4, 5 or 6 of SSBs: “The DOE shall provide an opinion as to whether the description(s) of the identified baseline scenario(s) in the PDD is in accordance with the selected SSB(s).”

2.3.2. Additionality

13. Instead of paragraph 101 of the Validation and verification standard, the following applies to CDM project activities using category 1, 2 or 5 of SSBs: “The DOE shall determine whether the proposed project activity is additional as described in the PDD.”
14. Instead of paragraphs 102 and 103 of the Validation and verification standard, the following applies to CDM project activities using category 1, 2 or 5 of SSBs: “The DOE shall determine whether project participants correctly applied the additionality criteria (e.g. positive lists) to the proposed project activity in accordance with the selected SSB(s).”
15. Instead of paragraph 104 of the Validation and verification standard, the following applies to CDM project activities using category 1, 2 or 5 of SSBs: “The DOE shall provide an opinion as to whether project participants correctly applied the additionality criteria (e.g. positive lists) to the proposed project activity in accordance with the selected SSB(s).”

2.3.3. Assessment of prior consideration of the clean development mechanism

16. Requirements contained in paragraphs 105–112 of the Validation and verification standard are not applicable to CDM project activities using category 1 of SSBs.

2.3.4. Identification of alternatives

17. Requirements contained in paragraphs 113–116 of the Validation and verification standard are not applicable to CDM project activities using category 1, 3, 4, 5 or 6 of SSBs.

2.3.5. Investment analysis

18. Requirements contained in paragraphs 117–123 of the Validation and verification standard are not applicable to CDM project activities using category 1, 2 or 5 of SSBs..

2.3.6. Barrier analysis

19. Requirements contained in paragraphs 124–127 of the Validation and verification standard are not applicable to CDM project activities using category 1, 2 or 5 of SSBs..

2.3.7. Common practice analysis

20. Requirements contained in paragraphs 128–130 of the Validation and verification standard are not applicable to CDM project activities using category 1, 2 or 5 of SSBs.

2.4. Validation status and outcomes, opinion, and report

21. Instead of paragraph 148(b) of the Validation and verification standard, the following applies to CDM project activities using any category of SSBs: “(b) All approaches applied by the DOE, findings and conclusions;”.

2.5. Small-scale project activities

22. Instead of paragraph 158 of the Validation and verification standard, the following applies to CDM project activities using category 1, 2 or 5 of SSBs: “The DOE shall determine whether the proposed small-scale project activity is additional as described in the PDD.”
23. Instead of paragraphs 159 and 160 of the Validation and verification standard, the following applies to CDM project activities using category 1, 2 or 5 of SSBs: “The DOE shall determine whether project participants correctly applied the additionality criteria (e.g. positive lists) to the proposed small-scale project activity in accordance with the selected SSB(s).”
24. Instead of paragraph 161 of the Validation and verification standard, the following applies to CDM project activities using category 1, 2 or 5 of SSBs: “The DOE shall provide an opinion as to whether project participants correctly applied the additionality criteria (e.g. positive lists) to the proposed small-scale project activity in accordance with the selected SSB(s).”

2.6. Post-registration changes

25. Requirements contained in paragraph 274 of the Validation and verification standard are not applicable to CDM project activities using category 1, 2 or 5 of SSBs.

2.7. Renewal of crediting period

26. Instead of paragraph 298 of the Validation and verification standard, the following applies to CDM project activities using any category of SSBs: “The DOE shall determine whether the project participants have updated the PDD in accordance with paragraphs 223–228 of the Project standard and with the “Requirements for change in CDM project standard in relation to standardized”.

27. Requirements contained in paragraph 299(a) of the Validation and verification standard are not applicable to CDM project activities using category 1, 3, 4, 5 or 6 of SSBs.

2.8. Update of SSBs

28. There may be a need for new requirements for CDM project activities using SSBs regarding the update of SSBs, in terms of frequency of update and applicability of the requirements.
29. Guidance from the Board on this issue will be sought when discussing the “Concept note on impact of updating standardized baselines on CDM project activities” at the seventieth meeting of the Board. Such guidance will be applied to propose, if needed and as appropriate, requirements on the update of SSBs in the amended CDM validation and verification standard to be presented at the seventieth meeting of the Board.

- - - - -

Document information

<i>Version</i>	<i>Date</i>	<i>Description</i>
01.1	9 November 2012	Amendment to paragraph 26 to correct document title reference.
01.0	5 November 2012	Initial publication as an annex to the annotated agenda for EB 70.
Decision Class: Regulatory		
Document Type: Standard		
Business Function: Methodology		
Keywords: standardized baselines, validation, verification		

Appendix 3 - Requirements for change in CDM project cycle procedure in relation to standardized baselines

1. Definitions

1. All the definitions referred in “Requirements for change in CDM project standard in relation to the standardized baselines” apply.

2. Requirements and other provisions

2. The categories of SSBs apply as per section 2.1 of “Requirements for change in CDM project standard in relation to the standardized baselines”.
3. For CDM project activities using standards using standardized baselines (SSBs), the term “methodology(ies)”, “baseline and monitoring methodology(ies)”, “baseline methodology” or “monitoring methodology(ies)”, shall be replaced with “SSB(s)” in the following paragraphs:
 - (a) Paragraph 7 (b);
 - (b) Paragraph 14 (e);
 - (c) Paragraph 17;
 - (d) Paragraph 19.
4. Requirements contained in paragraphs 7-10 shall not apply to CDM project activities using category 1 of SSBs.

Document information

<i>Version</i>	<i>Date</i>	<i>Description</i>
01.1	9 November 2012	Amendment to paragraphs 1, 2 and 4 to correct document title and section cross-references.
01.0	5 November 2012	Initial publication as an annex to the annotated agenda for EB 70.
Decision Class: Regulatory Document Type: Procedure Business Function: Methodology Keywords: standardized baselines, project activities		

Appendix 4 - Guidelines for completing the proposed new baseline and monitoring methodology form (Version 02.0)

1. PART I. General information on completing the Proposed new baseline and monitoring methodology form

1. These guidelines seek to assist project participants in completing the Proposed new baseline and monitoring methodology form (CDM-NM).
2. ~~If project participants~~ the project participants of a planned clean development mechanism (CDM) project activity, the coordinating/managing entity of a planned CDM programme of activities (PoA), a designated operation entity (DOE), a designated national authority (DNA) or any other stakeholder (hereinafter referred to as the proponent) wish to propose new baseline and monitoring methodologies they shall complete and submit the CDM-NM and a draft CDM-PDD with only sections A-C filled. If the relevant proponents wish to propose a new baseline and monitoring methodology for the purpose of applying together with approved standardized baselines, they shall complete and submit the CDM-NM and a draft CDM-PDD with only sections A-C filled taking into consideration the specific provisions contained in this document.
3. The CDM-NM may be obtained electronically from the UNFCCC CDM website <<http://unfccc.int/cdm>>, by e-mail <cdm-info@unfccc.int> or in printed format from the UNFCCC secretariat (Fax: +49-228-8151999).
4. Terms, which are underlined with a broken line in the CDM-NM, are explained in the "Glossary of CDM terms" available on the CDM UNFCCC website. It is strongly recommended that before or during the completion of the forms that project participants consult the most recent version of the "Glossary of CDM terms".
5. ~~Project participants~~ The proponents should also consult the section "Guidance – clarifications" of the UNFCCC CDM website <<http://unfccc.int/cdm>>. It is also available from the UNFCCC secretariat by e-mail <cdm-info@unfccc.int> or in print via fax (+49-228-815 1999).
6. The Executive Board may revise the CDM-NM.
7. Revisions to the CDM-NM do not affect proposed new baseline and monitoring methodologies:
 - (a) Submitted to the DOEs prior to the adoption of the revised CDM-NM;
 - (b) Submitted to the DOEs within a month following the adoption of the revised CDM-NM;
 - (c) The Executive Board will not accept documentation using a previous version of the CDM-NM three months after the adoption of the new version.
8. In accordance with the CDM modalities and procedures, the working language of the Board is English. The CDM-NM shall therefore be completed and submitted in English language to the Executive Board. For the purpose of consultation, CDM-NM is, however,

available on the UNFCCC CDM website for consultation in all six official languages of the United Nations.

9. The CDM-NM templates shall not be altered, that is, shall be completed using the same font without modifying its format, font, headings or logo.
10. Tables and their columns shall not be modified or deleted. Rows may be added, as needed.
11. The CDM-NM shall include in section A.1 the version number and the date of the document.
12. If sections of the CDM-NM are not applicable, it shall be explicitly stated that the section is left blank on purpose.
13. The CDM-NM is not applicable to afforestation and reforestation CDM project activities. The documentation for afforestation and reforestation project activities is available on the UNFCCC CDM website.
14. The presentation of values in the CDM-NM, including those used for the calculation of emission reductions, should be in international standard format e.g 1,000 representing one thousand and 1.0 representing one. The units used for weights/currency (~~Lakh/crore etc~~) should be accompanied by their equivalent S.I. units/norms (thousand/million) as part of the requirement to ensure transparency and clarity.
15. As per the "Procedure for the submission and consideration of standardized baselines" (EB 68), if project participants wish to use a standardized baseline developed using the "Guidelines for the establishment of sector specific standardized baselines" for a proposed CDM project activity or a PoA, they shall do so only by one of the following means:
 - (a) Applying the standardized baseline to an existing approved methodology or tool; or
 - (b) Applying it to a new methodology or a revised methodology or tool, if there is no approved methodology or tool available to which the proposed standardized baseline can apply. In this case, the project participants shall propose a new methodology or a revision to an existing approved methodology or tool in accordance with a relevant procedure on submission and approval of proposed new methodologies or requests for revision to approved methodologies or tools, respectively.
16. To fulfil the requirements of paragraph 15 (b) above, additional information is included in the "Guidelines for completing the proposed new baseline and monitoring methodology form", which is mentioned in relevant sections of this document.

2. PART II. Technical guidelines for the development of proposed new baseline and monitoring methodologies

Note: The document is prepared with the aim to facilitate the development of new methodologies and as such is a guidance document. The decisions/guidance provided by either by the Board or COP are legally valid and this document does not replace such decisions or guidance provided. The document is a living document and shall be revised, as and when required, to accommodate EB and/or COP/MOP decisions.

Please note this document is not mandatory and as such is for guidance

2.1. General guidance on proposed new baseline and monitoring methodologies

2.1.1. Analysis of the existing approved methodologies

17. Before considering the proposal of a new baseline and monitoring methodology, the list of approved methodologies should be checked by the project proponents to verify whether an approved baseline and monitoring methodology could be used, or used with modifications, for the proposed project activity. In case modifications are required, please, refer to the guidance provided by the Executive Board on criteria for the consolidation and revision of approved methodologies (EB 27, Annex 10) and when to request a revision, clarification or deviation to an approved methodology (EB 31, Annex 12). This guidance is available at <<http://cdm.unfccc.int/EB/index.html>>.

2.1.2. Forms to be used for submitting new methodologies

18. The new baseline and monitoring methodologies shall be proposed and approved together. The form “Proposed New Baseline and Monitoring Methodologies” (CDM-NM) is to be used to propose a new baseline and monitoring methodology. This form shall fully and completely describe the methodology. The form should be accompanied by a draft project design document (CDM-PDD) with sections A-C completed, including relevant annexes, in order to demonstrate the application of the proposed new methodologies to a proposed project activity. Each proposed new baseline and monitoring methodology should use a separate “CDM-Proposed New Methodology form” (CDM-NM). The CDM-NM form for several new methodologies may be submitted together with the same CDM-PDD for several components of a proposed project;
19. The forms shall be submitted to the Executive Board in accordance with “Procedures for submission and consideration of a proposed new methodology”. The most recent versions of these forms and procedures may be obtained from the UNFCCC CDM website <<http://unfccc.int/cdm>> or from the UNFCCC secretariat by e-mail (cdm-info@unfccc.int) or in print via fax (+49 228 815 1999);
20. The CDM-NM and the CDM-PDD shall include in sections B and A respectively the version number and the date of the document. If specific sections of the CDM-NM and CDM-PDD are not applicable, it shall be explicitly stated that the section is left blank on purpose. Tables and their columns shall not be modified or deleted. Rows may be added, as needed;
21. **Project participants** The proponents shall refrain from providing glossaries or using key terminology not used in the documents of the Conference of the Parties (COP), the COP/MOP, the “Glossary of CDM terms”, or the “Definitions relevant to CDM baseline and monitoring methodologies” (Annex 2 of this document), and they shall refrain from rewriting these instructions.

2.1.3. General guidance for completing the proposed new baseline and monitoring methodology form (CDM-NM)

22. The “Proposed new baseline and monitoring methodology ” sections shall:
 - (a) Be completed in a fashion that can be readily used as an approved methodology. This requires use of appropriate format, tone, and level of specificity. Text shall be clear and succinct, well-written, and logically sequenced. It shall describe the procedures in a manner that is sufficiently explicit to enable the methodology to be carried out by a methodology user, applied to projects unambiguously, and

reproduced by a third party. It shall be possible for projects following the methodology to be subjected to a validation and/or verification study. Methodology developers should review and be familiar with methodologies approved by the CDM Executive Board (please refer to the section on methodologies in the UNFCCC CDM website <<http://cdm.unfccc.int/methodologies/PAmethodologies>>);

- (b) Be generally appropriate for the entire group of project activities that satisfy the specified applicability conditions. A new methodology should, therefore, stand independently from the specific project activity proposed in the draft CDM-PDD with which the new methodology is being submitted. The methodology should not make direct reference to, or depend on characteristics of, the specific project activity being proposed in the draft CDM-PDD. It should not refer to specific project activities or locations, project-specific conditions or project-specific parameters. This project-specific information should be described in the draft CDM-PDD, however, it can be referred to in the explanation/justification section to help describe the methodology;
- (c) Present methodology steps as one might present a recipe. It should include all algorithms, formulae, and step-by-step procedures needed to apply the methodology and validate the project activity, i.e. calculating baseline, project, and leakage emissions. The completed form shall provide stand-alone replicable methodologies, and avoid reference to any secondary documents other than EB-approved tools and methodologies;
- (d) Indicate precisely what information the project proponent must report in the draft CDM-PDD and/or in monitoring reports;
- (e) Support important procedures and concepts with equations and diagrams. Non-essential information should be avoided;
- (f) Provide instructions for making any logical or quantitative assumptions that are not provided in the methodology and must be made by the methodology user;
- (g) Include instructions to assist in implementing the methodology in a conservative manner where logical or quantitative assumptions have to be made by the methodology user, particularly in cases of uncertainty.

2.1.4. Use of variables in equations

- 23. Use the nomenclature of variables contained in Annex 1 to these guidelines. Variables not contained in the standard nomenclature should be named with two or three upper case letters that are first letters of each key word describing variable (e.g. stack height = SH);
- 24. All variables that are reported or estimated annually should have a *y* subscript for year (e.g. BE_y);
- 25. Variables should use the *i* subscript to denote multiple pieces of equipment, fuel types, processes, sites or measuring locations (e.g. F_i = flow rate at different measuring points *i*). If two summations are required (e.g. fuel type and equipment piece), the subscripts *i* and *j* should be used;
- 26. No name should be used more than once for different variables in the same methodology;

27. Where necessary, the subscripts BL and PJ should be used to distinguish between the project and the baseline (e.g. EG_{BL} , EG_{PJ});
28. Where a variable refers to a gases, the formula of the gas should be indicated as a subscript (e.g. $BE_{CO_2,y}$).

3. SECTION A: Recommendation by the methodological panel (to be completed by the Meth Panel)

3.1. Recommendation

Box 1.

1. This section is to state the outcome of the assessment of the proposed new methodology:

- (a) Approve;
- (b) Reject;
- (c) Preliminary recommendation.

3.2. Major changes

3.3. ~~Major~~ Minor changes

4. SECTION B: Summary and applicability of the baseline and monitoring methodologies

4.1. Methodology Title

Box 2.

1. Provide an unambiguous title for the proposed methodology. The title should reflect the project types to which the methodology is applicable. Do not use project-specific titles. Please indicate the following:

- (a) The title of the proposed methodology;
- (b) The version number of the document;
- (c) The date of the document.

4.2. If this methodology is based on a previous submission or an approved methodology, please state the reference numbers

Box 3.

1. State whether the proposed methodology is based on a previous submission or an approved methodology and, if so, explain briefly the main deviation(s) and their rationale. Where the methodology references other approved methodologies, the following guidance should be followed:
 - (a) The new methodology should clarify whether a section of an approved methodology is used verbatim, or rather as the basis for the proposal;
 - (b) If the section is used verbatim, then no additional text is needed in the methodology proposal other than a reference to the sections and paragraphs of the approved methodology (including version number);
 - (c) If the original text is modified in the proposal, then the entire text should be repeated.
2. Provide the reference number and version number to approved methodologies and tools if they are used – in whole or in part – in the proposed new methodology. Relevant sections can be cited specifically, but should not be repeated. Any proposed modifications and/or additions to approved tools and methodologies need to be clearly highlighted.
3. In cases where the methodology is submitted for the purpose of applying together with approved standardized baselines developed using the “Guidelines for the establishment of sector specific standardized baselines”, provide the reference for the approved/proposed standardized baseline.

4.3. Summary description of the methodology

Box 4.

1. For the baseline and monitoring methodology, summarize the key elements of the proposed new methodology, including brief statements on how the proposed methodology:
 - (a) Chooses the baseline scenario;
 - (b) Demonstrates additionality;
 - (c) Calculates baseline emissions,
 - (d) Calculates project emissions;
 - (e) Calculates leakage;
 - (f) Identifies and collects monitoring data;
 - (g) Calculates emissions reductions.
2. In doing so, if relevant, describe how this methodology builds on, complements, and/or provides an alternative to approved methodologies. Please do not exceed one page. The detailed explanation of the proposed new methodology is to be provided in Sections I, II and III of the CDM-NM form.
3. In cases where the baseline and monitoring methodology is submitted for the purpose of applying together with approved standardized baselines developed using the “Guidelines for the establishment of sector specific standardized baselines”, brief statements on the following sections are not required:
 - (a) Chooses the baseline scenario;
 - (b) Demonstrates additionality;
 - (c) Calculates baseline emissions.

5. SECTION C: Proposed new baseline and monitoring methodology

5.1. Source, definitions and applicability

5.1.1. Sources

Box 5.

Proponent of the new methodology should provide a list of existing approved methodologies and tools used in this new submission.

5.1.2. Selected baseline approach from paragraph 48 of the CDM modalities and procedures

Box 6.

1. Developers of a new baseline methodology shall select the approach from paragraph 48 of the CDM modalities and procedures that is most consistent with the context of applicable project types, and most consistent with the underlying algorithms and data sources used in the proposed baseline methodology, and justify the choice on this basis. (EB 10, Annex 1, Para B3);
2. In cases where the methodology is submitted for the purpose of applying together with approved standardized baselines developed using the “Guidelines for the establishment of sector specific standardized baselines”, the proponents need not fill in this section;
3. Proponents of methodologies have indicated some apparent overlap between approaches (a), (b), and (c) of paragraph 48 of the CDM modalities and procedures. Since paragraph 48 stipulates that only one approach should be chosen, developers are advised to select the one that most closely reflects the process used for calculating baseline emissions or baseline emission rates. The tool used in order to demonstrate additionality does not need to be linked to one of the three approaches of paragraph 48 of the CDM modalities and procedures. (EB 10, Annex 1, Para B4);
4. ~~Project participants~~ The proponents wishing to select approach 48 (c) of the CDM modalities and procedures shall elaborate in their submission of a proposed new baseline methodology, *inter alia*, on:
 - (a) How they determine “similar social, economic, environmental and technological circumstances”; and
 - (b) How they assess the “performance among the top 20 per cent of their category” defined as greenhouse gas emissions performance (in terms of CO₂e emissions per unit of output). (EB 08, Annex 1, Para B)

5.1.3. Definitions

Box 7.

1. Provide definitions of key terms that are used in the proposed new methodology;
2. If possible, use definitions from other approved methodologies (e.g. electricity grid, tail gas).

5.1.4. Applicability conditions

Box 8.

1. List the category(ies) of project activities to which the methodology may apply. Use the list of categories of project activities and of registered CDM project activities by category available on the UNFCCC CDM website. If no suitable category(ies) of project activities can be identified, please suggest a new category(ies) descriptor and its definition, being guided by relevant information on the UNFCCC CDM website;
2. List any conditions which a proposed CDM project activity must satisfy in order for the methodology to be applicable: (e.g. project technology, sectoral circumstances, region). Applicability conditions must pertain to the type of proposed project activity and sector in which it takes place. Conditions should not substitute for steps that are necessary parts of the baseline methodology, such as defining the baseline. In this regard, they should not be conditions on a presumed baseline scenario (e.g., it is not appropriate for an applicability condition to be “The plant would continue to use the same fuel at the same efficiency without the project activity” as this is not a condition on the project activity, but a result of baseline assessment);
3. In some cases, compliance with an applicability condition, such as “the project activity is a grid-connected wind power facility”, is obvious, easily validated, and unlikely to change. In other cases however, compliance with an applicability condition may need to be monitored during the crediting period, and the consequences of non-compliance would need to be indicated in the methodology. For example, if an applicability condition is “The project should not result in the storage of biomass for more than thirty days”, the methodology should explain how the applicability condition can be satisfied (e.g. through monitoring of storage facilities, if present), and how it will be reported;
4. Explain in the Section D “explanations/justifications” the choice of the project category and applicability conditions. Indicate if an approved methodology exists for the same conditions of application.
5. In cases where the methodology is submitted for the purpose of applying together with approved standardized baselines developed using the “Guidelines for the establishment of sector specific standardized baselines”, the applicability conditions should be specific to project technology, the measure, sector, region, country or group of countries. The applicability conditions related with the baseline scenario, additionality etc. is not required.

5.2. Baseline methodology procedure

5.2.1. Project Boundary

29. The spatial extent of the project boundary encompasses

Box 9.

1. Describe and justify the physical delineation of the project boundary (the phrase is taken from guidance provided in CDM-NM section of guidelines to complete CDM-PDD, CDM-NM) and the gases and sources included, bearing in mind that it shall encompass all anthropogenic emissions by sources of greenhouse gases under the control of the project participants that are significant and reasonably attributable to the project activity:
 - (a) Explain the physical delineation. Use a figure or flowchart if it would be helpful;
 - (b) Explicitly state all sources and gases included. Explain whether any sources related to the baseline or the project activity have been excluded, and if so, justify their exclusion. If possible use the table provided in the CDM-NM.
2. When defining which emission sources should be considered in the project boundary, in the baseline scenario and in the calculation of leakage emissions, project participants should make conservative assumptions, for example the magnitude of emission sources omitted in the calculation of project emissions and leakage effects (if positive) should be equal to or less than the magnitude of emission sources omitted in the calculation of baseline emissions. (EB 22, Annex 2)
3. In cases where this methodology is submitted for the purpose of applying together with approved standardized baselines developed using the “Guidelines for the establishment of sector specific standardized baselines”, the part of Table 1 requiring emission sources in the baseline need not be filled in.

30. The greenhouse gases included in or excluded from the project boundary are shown in Table 1.

Table 1. Emission sources included in or excluded from the project boundary

Source		Gas	Included	Justification/Explanation
Baseline		CO ₂	No	
		CH ₄	No	
		N ₂ O	No	
		CO ₂	No	
		CH ₄	No	
		N ₂ O	No	
		CO ₂	No	
		CH ₄	No	
		N ₂ O	No	
Project activity		CO ₂	No	
		CH ₄	No	
		N ₂ O	No	
		CO ₂	No	
		CH ₄	No	
		N ₂ O	No	
		CO ₂	No	
		CH ₄	No	
		N ₂ O	No	

5.2.2. Identification of the most plausible scenario**Box 10.****1. General issues**

- (a) The baseline is the scenario that reasonably represents the anthropogenic emissions by sources of greenhouse gases that would occur in the absence of the proposed project activity. Different scenarios may be elaborated as potential evolutions of the situation existing before the proposed CDM project activity. The continuation of a current activity could be one of them; implementing the proposed project activity without registration as CDM project activity may be another; and many others could be envisaged;
- (b) The proponents submitting the methodology for the purpose of applying together with approved standardized baselines developed using the "Guidelines for the establishment of sector specific standardized baselines" need not fill this section.
- (c) Provide a systematic, step-by-step procedure for determining the most likely baseline scenario. Explain in the "explanations/justification" section why the proposed procedure for determining the baseline scenario is appropriate for the project type and applicability conditions;

- (d) This procedure should describe a process for identifying the options to be considered as plausible candidate baseline scenarios. Justify that the range of options to be considered as plausible baseline scenarios is sufficiently comprehensive. The options to be considered should not exclude plausible options that, if included, might result in the determination of a different baseline scenario. Baseline methodologies shall require a narrative description of all reasonable baseline scenarios;
- (e) Highlight the key logical assumptions and quantitative factors underlying the procedure for determining the baseline scenario. Clearly explain the logical and analytical steps that must be followed in ascertaining the most likely baseline scenario from among the candidate baseline scenarios. State clearly which assumptions and factors have significant uncertainty associated with them, and how such uncertainty is to be addressed;
- (f) Ensure consistency between baseline scenario derived by this procedure and the procedure and formulae used to calculate the baseline emissions (below). The baseline scenario determination procedure should indicate for which baseline scenarios the overall methodology is applicable. This situation would occur when baseline emissions section (below) does not include algorithms and/or parameters relevant to the baseline scenario identified by the procedure.

2. Consideration of national and/or sectoral policies and circumstances in baseline scenarios (EB 16, Annex 3 and EB 22, Annex 3)

- (a) A baseline scenario shall be established taking into account relevant national and/or sectoral policies and circumstances, such as sectoral reform initiatives, local fuel availability, power sector expansion plans, and the economic situation in the project sector;
- (b) As a general principle, national and/or sectoral policies and circumstances are to be taken into account on the establishment of a baseline scenario, without creating perverse incentives that may impact Host Parties' contributions to the ultimate objective of the Convention;
- (c) The following two types of national and/or sectoral policies are to be taken into account when establishing baseline scenarios:
 - (i) National and/or sectoral policies or regulations that give comparative advantages to more emissions-intensive technologies or fuels over less emissions-intensive technologies or fuels;¹
 - (ii) National and/or sectoral policies or regulations that give comparative advantages to less emissions-intensive technologies over more emissions-intensive technologies (e.g. public subsidies to promote the diffusion of renewable energy or to finance energy efficiency programs).²

¹ So called type E+, policy that increase GHG emissions

² So called type E-, policy that decrease GHG emissions

- (d) These two types of policies shall be addressed as follows:
- (i) Only national and/or sectoral policies or regulations under paragraph (c) (i) above that have been implemented before adoption of the Kyoto Protocol by the COP (decision 1/CP.3, 11 December 1997) shall be taken into account when developing a baseline scenario. If such national and/or sectoral policies were implemented since the adoption of the Kyoto Protocol, the baseline scenario should refer to a hypothetical situation without the national and/or sectoral policies or regulations being in place;
 - (ii) National and/or sectoral policies or regulations under paragraph c) ii) above that have been implemented since the adoption by the COP of the CDM M&P (decision 17/CP.7, 11 November 2001) need not be taken into account in developing a baseline scenario (i.e. the baseline scenario could refer to a hypothetical situation without the national and/or sectoral policies or regulations being in place).

5.2.3. Additionality

Box 11.

1. General issues

- (a) Provide a systematic step-by-step procedure for determining whether or not the project activity is, or is part of, the baseline scenario, and thereby determining whether the project activity is additional. The methodology should clearly state what the methodology user must do and what information must be presented in the resulting CDM-PDD in order to make a logical and well-substantiated case for the project's additionality;
- (b) The proponents submitting the methodology for the purpose of applying together with approved standardized baselines developed using the "Guidelines for the establishment of sector specific standardized baselines" need not fill this section.
- (c) Examples of tools that may be used to demonstrate that a project activity is additional and therefore not the baseline scenario include, among others: (EB 10, Annex 1, Para 2&3);
 - (i) A flow-chart or series of questions that lead to a narrowing of potential baseline options; and/or
 - (ii) A qualitative or quantitative assessment of different potential options and an indication of why the non-project option is more likely; and/or
 - (iii) A qualitative or quantitative assessment of one or more barriers facing the proposed project activity (such as those laid out for small-scale CDM projects); and/or
 - (iv) An indication that the project type is not common practice (e.g. occurs in less than [$<x\%$] of similar cases) in the proposed area of implementation, and not required by a Party's legislation/regulations.
- (d) Present the procedures in each step in as much detail as needed, but avoid repetition that is not needed for reasons of clarity;

- (e) Justify in the section D “explanations/justification” why the proposed procedure is an appropriate procedure for establishing the project’s additionality. Highlight the key logical assumptions and quantitative factors underlying the procedure for demonstrating the project activity is additional. State clearly which assumptions and factors have significant uncertainty associated with them, and how such uncertainty is to be addressed. If relevant, explain how national and/or sectoral policies and circumstances are taken into account by the methodology.
- 2. Use of the “Tool for the demonstration and assessment of additionality”**
- (a) The use of the “Tool for the demonstration and assessment of additionality” is intended to facilitate the process of submitting methodologies, and that the use of the tool is not mandatory for preparing methodologies (Para 9 decision 12 CP.10, Para 28 Decision 7/CMP.1, EB 18, Para 20).
- (b) ~~Project participants~~ **The proponents** are encouraged to suggest further details on how to implement this tool to specific project types covered by the proposed methodology. If ~~project participants~~ **the proponents** suggest such further details, in the proposed methodology, they should refer to the tool and reproduce only the section(s) of the additionality tool, they propose to modify, clearly highlighting the proposed changes and/or additions to the tool. (EB 18, Para 20)
- 3. Relationship between the demonstration of additionality and the selection of the baseline scenario (EB 17, Para 16)**
- (a) The use of the “tool to assess and determine additionality” does not replace the need for the baseline methodology to provide for a stepwise approach justifying the selection and determination of the most plausible baseline scenario alternatives;
- (b) ~~Project participants~~ **The proponents** proposing new baseline methodologies shall ensure consistency between the determination of additionality of a project activity and the determination of a baseline scenario.
- 4. Relationship between the demonstration of additionality and the selection of the baseline scenario (EB 17, Para 16)**
- (a) The use of the “tool to assess and determine additionality” does not replace the need for the baseline methodology to provide for a stepwise approach justifying the selection and determination of the most plausible baseline scenario alternatives;
- (b) ~~Project participants~~ **The proponents** proposing new baseline methodologies shall ensure consistency between the determination of additionality of a project activity and the determination of a baseline scenario.
- 5. Use of the “Combined tool to identify the baseline scenario and demonstrate additionality”**
- (a) ~~Project participants~~ **The proponents** may choose, if applicable, to use the “Combined tool to identify the baseline scenario and demonstrate additionality”, which is also intended to facilitate the process of submitting new methodologies. The combined tool provides a general framework for identifying the baseline scenario as well as demonstrating additionality, in one single stepwise procedure;

- (b) In some cases, adjustments or additional explanations to the tool are required for specific project activities. This may include, *inter alia*, a listing of relevant alternative scenarios that should be considered in step 1, any relevant types of barriers other than those presented in the tool and guidance on how common practice should be established. In this case, **Project participants the proponents** should refer to the tool and reproduce only the section(s) of it, which they propose to modify, clearly highlighting the proposed changes and/or additions;
- (c) Please refer to the tool for applicability conditions and further details.

5.2.4. Baseline emissions, project emissions and leakage effects

Box 12.

1. General guidance

- (a) Elaborate all algorithms and formulae used to estimate, measure or calculate the project emissions, baseline emissions and leakage effects. Be specific and complete, so that the procedure can be carried out in an unambiguous way, replicated, and subjected to a validation and/or verification study:
 - (i) Explain the underlying rationale for algorithm/formulae (e.g. marginal vs. average, etc.);
 - (ii) Use consistent variables, equation formats, subscripts, etc.;
 - (iii) Number all equations;
 - (iv) Define all variables, with units indicated;
 - (v) Justify the conservativeness of the algorithms/procedures; to the extent possible, include methods to quantitatively account for uncertainty in key parameters.
- (b) Elaborate all parameters, coefficients, and variables used in the calculation of baseline emissions, project emissions and leakage effects:
 - (i) For those values that are provided in the methodology:
 - a. Clearly indicate the precise references from which these values are taken (e.g. official statistics, IPCC Guidelines, commercial and scientific literature);
 - b. Justify the conservativeness of the values provided.
 - (ii) For those values that are to be provided by the project participant, clearly indicate how the values are to be selected and justified, for example, by explaining:
 - a. What types of sources are suitable (official statistics, expert judgment, proprietary data, IPCC, commercial and scientific literature, etc.);
 - b. The vintage of data that is suitable (relative to the project crediting period);
 - c. What spatial level of data is suitable (local, regional, national, international);
 - d. How conservativeness of the values is to be ensured.

- (c) For all data sources, specify the procedures to be followed if expected data are unavailable. For instance, the methodology could point to a preferred data source (e.g. national statistics for the past 5 years), and indicate a priority order for use of additional data (e.g. using longer time series) and/or fall back data sources to preferred sources (e.g. private, international statistics, etc.). (EB 09, Annex 3, Para 6);
- (d) Use International System Units (SI units – refer to http://www.bipm.fr/enus/3_SI/si.html). (EB 09, Annex 3, Para 6);
- (e) Note any parameters, coefficients, variables, etc. that are used to calculate baseline emissions but are obtained through monitoring. Ensure consistency between the baseline and monitoring methodologies;
- (f) If the calculation of the baseline emissions is to be performed *ex post*, include an illustrative *ex ante* emissions calculation;
- (g) Ensure consistency between the elaboration of the baseline scenario (Section 2) and the procedure for calculating the emissions of the baseline;
- (h) When submitting new methodologies relating to the substitution, recycling, recovery and destruction of SF6 used in various processes, project proponent should provide the following:
 - (i) Robust procedures to address the possibility of intentional increase of baseline SF6 consumption; and
 - (ii) Direct monitoring of all the key parameters that are related to estimation of baseline and project emissions including detailed explanations of key operating conditions and procedures, and an explanation addressing uncertainty;
- (i) With the intention to facilitate the submission of proposed new methodologies and standardize the calculation of certain classes of emissions sources that are common for different types of project activities, the Executive Board has approved several tools to calculate project and baseline emissions. Please refer to the CDM website:
<<http://cdm.unfccc.int/methodologies/PAmethodologies/approved.html>>;
- (j) The tools should be used whenever their applicability conditions allow. They should be used as stand-alone procedures, without changes, and need not to be copied in the proposed methodology. The proposed new methodology only needs to refer to the tool at the point in which the emissions from a source are calculated, making sure that the applicability conditions of the tool are met by the proposed project activity, the emission source referred to in the proposed methodology corresponds to that in the tool, and that units are consistent. Apart from using the existing approved tools, project proponents are also encouraged to propose new ones in areas where no tool exists or approved tools are not appropriate;

- (k) Explain in section D “explanations/justifications” any parts of the algorithm or formulae that are not self-evident. Justify that the procedure is consistent with standard technical procedures in the relevant sector. Provide references as necessary. Explain implicit and explicit key assumptions in a transparent manner. State clearly which assumptions and procedures that have significant uncertainty associated with them, and how such uncertainty is to be addressed. Describe the uncertainty of key parameters and, where possible, provide an uncertainty range at 95% confidence level for key parameters for the calculation of emission reductions. Methodology developers are also encouraged to refer to chapter 6 of the IPCC Good Practice Guidance and Uncertainty Management in National Greenhouse Gas Inventories for more Guidance on analysis of uncertainty.

- (l) The section on baseline emissions need not be filled in cases where the methodology is submitted for the purpose of applying together with approved standardized baselines developed using the “Guidelines for the establishment of sector specific standardized baselines”.

2. Transparency and conservativeness

- (a) According to paragraph 45 (b) of the modalities and procedures, a baseline shall be established in a “transparent and conservative manner”. This means that assumptions are explicitly explained and choices are substantiated. In case of uncertainty regarding values of variables and parameters, the establishment of a baseline is considered conservative if the resulting projection of the baseline does not lead to an overestimation of emission reductions attributable to the CDM project activity (that is, in the case of doubt, values that generate a lower baseline projection shall be used). (EB 05, Annex 3).

3. Output-linked baseline values (EB 08, Annex 1, Para D8)

- (a) An output- or product-linked definition of baseline values (i.e. CO₂e per unit of output) shall be applied, unless the Project participants the proponents can demonstrate why this is not applicable and provide an appropriate alternative.

4. Use of and/or reference to lifecycle analysis (EB 22, Annex 2)

- (a) When referring to and/or making use of lifecycle analysis (LCAs) and/or LCA tools, Project participants the proponents shall in a transparent manner provide all equations, parameterizations and assumptions used in the LCA and/or LCA tools to calculate baseline and monitoring methodologies. For example, this could be accomplished by highlighting the relevant sections in an attached copy of the referenced LCA and/or tool.

5. Ex post calculation of baseline emission rates (EB 09, Annex 3, Para 8)

- (a) The *ex post* calculation of baseline emission rates may only be used if proper justification is provided. Notwithstanding, the baseline emission rates shall also be calculated *ex ante* and reported in the draft CDM-PDD in order to satisfy the requirements for identification of the elements of a baseline methodology agreed by the Executive Board at its eighth meeting.

6. Treatment of the output and lifetime of plants and equipment (EB 08 and EB 22, Annex 2)

- (a) If a proposed CDM project activity seeks to retrofit or otherwise modify an existing facility, the baseline may refer to the characteristics (i.e. emissions) of the existing facility only to the extent that the project activity does not increase the output or lifetime of the existing facility. For any increase of output or lifetime of the facility which is due to the project activity, a different baseline shall apply (EB 08);
- (b) Where a project activity involves the replacement or retrofit of existing equipment or facilities, **Project participants the proponents** should take into account that the existing equipment could have been replaced, retrofitted or modified in the absence of the project during the crediting periods. In this case, a baseline methodology should provide a methodological approach to assess whether the existing equipment would in the absence of the CDM be replaced and, if this is the case, to reflect this in the calculation of emission reductions the replacement, retrofit or modification of the equipment in the absence of the CDM;
- (c) For a number of project types, it is reasonable to assume that after replacement or retrofit of the existing equipment in the absence of the project activity, the emission level would be similar to that of that of the project activity;
- (d) In this case, emission reductions resulting from a specific equipment replacement shall only be accounted from the date of replacement until the point in time when the existing equipment would have been replaced in the absence of the project activity or the end of crediting period, whatever is earlier;
- (e) In order to estimate the point in time when the existing equipment would need to be replaced in the absence of the CDM, a new methodology may consider the following approaches:
- (f) If a proposed CDM project activity seeks to retrofit or otherwise modify an existing facility, the baseline may refer to the characteristics (i.e. emissions) of the existing facility only to the extent that the project activity does not increase the output or lifetime of the existing facility. For any increase of output or lifetime of the facility which is due to the project activity, a different baseline shall apply (EB 08);
 - (i) A sector and/or activity specific method or criteria to determine when the equipment would be replaced or retrofitted in the absence of the CDM;
 - (ii) The typical average technical lifetime of the type equipment may be determined and documented, taking into account common practices in the sector and country, e.g. based on industry surveys, statistics, technical literature, etc.;
 - (iii) The practices of the responsible entity regarding replacement schedules may be evaluated and documented, e.g. based on historical replacement records for similar equipment.
- (g) The point in time when the existing equipment would need to be replaced in the absence of the project activity should be chosen in conservative manner;
- (h) In case of project activities that involve several replacements or retrofits, **Project participants the proponents** may consider, inter alia, the following generic approaches:

- (i) Determination of the technical lifetime on a case-by-case basis, for each equipment or equipment type that is being replaced. This approach may be appropriate if different types of existing equipment are involved; or
- (ii) Assuming a conservative default technical lifetime for all equipment involved.
- (i) For projects involving a large number of individual equipment installations, methodologies may use a baseline that reflects the expected improvements in emission characteristics (for the equipment type within the sector or industry in question) as a result of replacements or retrofits of equipment in the absence of the project activity.

7. Use of regression analysis (EB 21, Annex 7)

- (a) Where methodologies propose using multiple regression analysis to estimate baseline emissions or project emissions, safeguards should be used in order to ensure conservativeness and rigor of the fitted regression model. General guidance to achieve such objectives are:
 - (i) In the process of fitting the regression, assumptions and requirements for regression models should be considered e.g. testing for multi-collinearity;
 - (ii) Independent variables that are likely to influence the dependent variable in question should be accounted for. Technical background information that may support the selection of such variables should be provided with the methodology for the review of the panel;
 - (iii) Testing for statistical significance for all independent variables should be done. Independent variables which are statistically significant at 95% confidence level should be selected in the regression model;
 - (iv) If the time series data is used to fit the regression, autocorrelation should be tested. In case autocorrelation is found to be statistically significant, time series analysis should be used instead of regression.

8. Negative emission reductions (EB 21, Para 18)

- (a) In some cases and for some methodologies, project activities may temporarily result in “negative emission reductions” in a particular year, for example due to poor performance or due to leakage effects outweighing emission reductions. In these cases, proposed new methodologies should stipulate that if a project activity temporarily results in “negative emission reductions”, i.e. baseline emissions minus project emissions minus leakage effects are negative, any further CERs will only be issued when the emissions increase has been compensated by subsequent emission reductions by the project activity.

9. Consideration of uncertainties when using sampling (EB 22, Annex 2)

- (a) Methodologies employing sampling to derive parameters in estimating emissions reductions shall quantify these parameter uncertainties at the 95% confidence level. In addition, the choice of the upper or lower bounds to be used in estimating emission reductions shall be conducted in a manner that ensures conservativeness.

10. Consideration of carbon pools in CDM project activity (EB 20, Annex 8)

- (a) The following approaches towards changes in carbon pools³ due to CDM project activities should be taken into account:
 - (i) Where a project activity, which does not seek to obtain tCERs or ICERs from afforestation or reforestation project activities, may directly or indirectly results in a net decrease of carbon pools compared to what would occur in the absence of the project activity, such changes should be taken into account in the calculation of emission reductions subtracting the corresponding quantities from emission reductions;
 - (ii) Where a project activity, which does not seek to obtain tCERs or ICERs from afforestation or reforestation project activities, may directly or indirectly results in a net increase of carbon pools compared to what would occur in the absence of the project activity, this increase should not be taken into account in the calculation of emission reductions;
 - (iii) Where a project activity does seek to obtain tCERs or ICERs from afforestation or reforestation project activities, this activity should be treated as a separate project activity and shall fulfill the modalities and procedures for afforestation and reforestation activities under the CDM.

11. Specific guidance on leakage

- (a) Leakage is defined as the net change of anthropogenic emissions by sources of greenhouse gases (GHG) emissions occurring outside the project boundary that is measurable and attributable to the implementation of the CDM project activity. Identify the sources of leakage. Explain which sources of leakage are to be calculated, and which can be neglected (EB 20, Annex 2). Even if the calculation of the leakage is to be performed *ex post*, the procedure should include the calculation of an *ex ante* estimate.

12. Guidance on IPCC default values

- (a) The most recent IPCC default values should be used only when country or project specific data are not available or difficult to obtain (EB 25, Para 59).

13. Guidance on bunker fuels

- (a) The project activities/parts of project activities resulting in emission reductions from reduced consumption of bunker fuels (e.g. fuel saving on account of shortening of the shipping route on international waters) are not eligible under the CDM (EB 25, Para 58).

14. Guidance on avoiding double counting of emission sources

- (a) For a project activity, which has both A/R and non-A/R components, the emissions associated with A/R activity should be accounted for in the A/R CDM project activity. In general all project activities using biomass for energy should account for emissions associated with production of biomass. However, in the case that it can be demonstrated that, for a project activity using biomass for energy which uses biomass originating from a registered A/R project activity (i.e. through contractual agreement for procurement of biomass) it need not account for emissions related to biomass production (EB 25, Para 38).

³ Carbon pools referred are those defined in the modalities and procedures for afforestation and reforestation project activities under the CDM contained in the annex to decision 19/CP.9.

15. Guidance on double-counting in CDM project activities using blended biofuel for energy use (EB 26, Annex 12)

- (a) The following guidance serves to avoid double-counting of emission reductions that could occur in project activities if both biofuel production and biofuel use are eligible to generate CERs and where such double-counting could occur at different points in the production chain.
 - (i) Type of biofuel project activities covered under the guidance:
 - a. Methodological proposals for the CDM project activities that seek to claim certified emissions reduction (CERs) from the substitution of fossil fuels by biofuels may be proposed for project activities where:
 - i. The consumers (end-users) of biofuels claim CERs from displacing fossil fuel consumption with biofuel;
 - ii. The producer of biofuels claim CERs, for biofuel production, provided: 1) The consumers, to whom the biofuel is sold, are included in the project boundary and; 2) The emissions reduction from use of biofuel are estimated based on monitored consumption by the consumers included within the project activity
 - (ii) Export of biofuels to Annex I countries:
 - a. No biofuel production exported to Annex I countries is eligible to claim CERs under the CDM.
 - (iii) Monitoring:
 - a. The methodology shall provide a monitoring scheme/framework with elements (e.g. electronic loggers) that can be used to verify without doubt the actual amount of biofuel consumed by the consumer (end user) for displacement of fossil fuels.
 - b. The monitored elements of the consumption by the end-user shall correspond to the production of the biofuel and be used to calculate and claim emission reductions. The methodology for project activities undertaken by consumers of biofuel shall provide an estimate of leakage, which is measurable and attributable to the CDM project activity.
 - (iv) Cultivation, harvesting and preparation of biofuel:
 - a. Emissions associated with the production of biomass used to produce the biofuel shall be accounted for when calculating emission reductions achieved by the blended biofuel project activity. However, in the case that it can be demonstrated that the project activity is using biomass originating from a registered A/R project activity (i.e. through contractual agreement for procurement of biomass), emissions related to the production of the biomass need not be accounted for (EB 25, Para 38).

16. Guidance on estimating emissions reductions related to fuels savings from project activities that primarily improve combustion efficiency of fuels

- (a) Project activities that improve the combustion efficiency of fuels used in energy generation, should clearly distinguish between the saving in fuels, resulting from implementing such project activities, that are due to the improvement in combustion efficiency and those that are due to improvements in energy efficiency. Though improvements in combustion efficiency may result in fuel savings, they may not result in equivalent reduction in GHG emissions, as the fuels saving are due to better oxidation of the fuel, which in absence of the project activity would have remained unburned, thus not resulting in GHG emissions (EB 32, Para 28).

17. Guidance on the eligibility of hydroelectric power plants with reservoirs as CDM project activities

- (a) Submissions of proposed new methodologies for hydroelectric power project activities with a power density less than 4 W/m² shall only be considered after the expert community working on methods for the measurement of greenhouse gas emissions (GHG) from reservoirs, associated with hydroelectric projects, have concluded their work. An exception to this, is hydroelectricity power project reservoirs where it can be demonstrated that the GHG emissions from the reservoir are negligible (EB 32, Para 27).

18. Guidance on eligibility of activities under the CDM

- (a) Creating infrastructure (e.g. testing labs, creation of an enforcement agency) or capacity to enforce the policy or standard, as such, cannot be considered as CDM project activities. The eligibility of project activities that are a result of the creation of infrastructure (e.g. testing labs, creation of an enforcement agency) or capacity to enforce the policy or standard shall be based only on measurable emission reductions which are directly attributable to these project activities. The Board recalled that it had agreed at its twenty-third meeting to treat transfer of know-how and training in the same manner (EB 33, Para 30).

19. Guidance on eligibility of project activities that produce products whose consumption leads to emission reductions

- (a) The Board in its thirty-fifth meeting (paragraph 22) clarified that project activities that result in emission reductions due to the use/consumption of a product produced in the project activity are only eligible as CDM project activity if: (i) the users/consumers of the product are included in the project boundary; and (ii) monitoring takes place of the actual use/consumption and location of the product used/consumed by consumers;
- (b) The Board further clarified that in such situations sampling can be used as a monitoring method for actual use/consumption and location of the product (EB 36, Annex 16).

5.2.5. Emission Reductions

Box 13.

1. Elaborate the algorithms and formulae used to estimate, measure or calculate the net emission reduction from the CDM project activity. In most cases, this will be simple equation with three terms: the baseline emissions, the project emissions, and the net leakage;
2. Even if the calculation of the emission reductions is to be performed ex post, the procedure should include the calculation of an ex ante estimate;
3. Ensure that the description of emission reductions is consistent with the proposed new monitoring methodology.

5.2.6. Changes required for methodology implementation in 2nd and 3rd crediting periods (EB 20, Annex 7)

Box 14.

1. At the start of the second and third crediting period for a project activity, two issues need to be addressed:
 - (a) Assessing the continued validity of the baseline, and
 - (b) Updating the baseline.
2. The proponents submitting the methodology for the purpose of applying together with approved standardized baselines developed using the “Guidelines for the establishment of sector specific standardized baselines” shall take into account that the standardized baseline is subject to update on a regular interval and that the latest version of the standardized baseline available at the renewal of crediting period should be used together with the latest version of the approved methodology.
3. Provide a methodological procedure on how these two issues should be addressed;

Assessing the continued validity of the baseline
4. In assessing the continued validity of the baseline, a change in the relevant national and/or sectoral regulations between two crediting periods has to be examined at the start of the new crediting period. If at the start of the project activity, the project activity was not mandated by regulations, but at the start of the second or third crediting period regulations are in place that enforce the practice or norms or technologies that are used by the project activity, the new regulation (formulated after the registration of the project activity) has to be examined to determine if it applies to existing plants or not. If the new regulation applies to existing CDM project activities, the baseline has to be reviewed and, if the regulation is binding, the baseline for the project activity should take this into account. This assessment will be undertaken by the verifying DOE;

Updating the baseline

5. For updating the baseline at the start of the second and third crediting period, there shall be no change in the methodology for determining the baseline emissions. However, new data available will be used to revise the baseline emissions. For example, if the “average of 3 most recent years data” was used to determine the baseline emissions for the first crediting period, the baseline shall be updated using the average for the 3 most recent years prior to the start of the subsequent crediting period;
6. In the case of baselines where emission factors are determined *ex ante* (and not updated during a crediting period), the baseline emissions factor shall be updated for the subsequent crediting period. This shall not be necessary for baselines which are constantly updated. In both cases, the CDM project activities are not included in the revised estimation of the baseline emissions;
7. **Project participants** **The proponents** shall assess and incorporate the impact of new regulations on baseline emissions.

5.2.7. Data and parameters not monitored

31. **The proponents submitting the methodology for the purpose of applying together with approved standardized baselines developed using the “Guidelines for the establishment of sector specific standardized baselines” need not fill this section as the parameters related to baseline emissions and additionality is taken in account by the standardized baseline itself.**
32. The following table provides an example for a simple parameter.

Data / Parameter table 1.

Data / Parameter:	EG_{3y}
Data unit:	MWh
Description:	Quantity of electricity generated by the project plant prior to the project implementation during the three most recent historical years
Source of data:	On-site measurements and electricity sales receipts
Measurement procedures (if any):	On-site electricity meter
Monitoring frequency:	
QA/QC procedures:	
Any comment:	

5.3. Monitoring methodology

Box 15.

1. The monitoring methodology needs to provide detailed information on how to establish the monitoring plan related to the collection and archiving of all relevant data needed to:
 - (a) Estimate or measure emissions occurring within the project boundary;
 - (b) Determine the baseline emissions, and
 - (c) Identify increased emissions outside the project boundary.
2. The monitoring methodology should reflect good monitoring practice appropriate to the type of project activity;
3. Data should be archived electronically and be kept at least for 2 years after the end of the last crediting period.

5.3.1. Data and parameters monitored

Box 16.

1. The monitoring methodology should provide a complete listing of the data that needs to be collected throughout the crediting period for the application of the methodology. This may include data that is measured or sampled and data that is collected from other sources (e.g. official statistics, expert judgment, proprietary data, IPCC, commercial and scientific literature, etc.). Data that is calculated with equations provided in the methodology should not be included in the compilation. Data that is determined only once and remains fixed throughout crediting period should be considered under “Data and parameters not monitored”;
2. Use the tables provided in the CDM-NM to provide the following information for each data (EB 09, Annex 3, Para 6):
 - (a) Under “data/parameter”, the variable used in equations in the baseline methodology;
 - (b) The International System Unit (SI units – refer to http://www.bipm.fr/enus/3_SI/si.html);
 - (c) A clear and unambiguous description of the parameter;
 - (d) A description which data sources should be used to determine this parameter. Clearly indicate how the values are to be selected and justified, for example, by explaining:
 - (i) What types of sources are suitable (official statistics, expert judgment, proprietary data, IPCC, commercial and scientific literature, etc.);
 - (ii) The vintage of data that is suitable (relative to the project crediting period);
 - (iii) What spatial level of data is suitable (local, regional, national, international);
 - (iv) How conservativeness of the values is to be ensured;

- (v) The procedures to be followed if expected data are unavailable. For instance, the methodology could point to a preferred data source (e.g. national statistics for the past 5 years), and indicate a priority order for use of additional data (e.g. using longer time series) and/or fall back data sources to preferred sources (e.g. private, international statistics, etc.).
- (e) A description of the measurement procedures or reference to appropriate standards;
- (f) A description of the frequency of monitoring (e.g. continuously, annually, etc.);
- (g) A description of QA/AC procedures.

33. The following table provides an example for a simple parameter.

Data / Parameter table 2.

Data / Parameter:	EG_{PJ,y}
Data unit:	MWh
Description:	Quantity of electricity generated by the project plant during the year <i>y</i>
Source of data:	On-site measurements and electricity sales receipts
Measurement procedures (if any):	On-site electricity meter
Monitoring frequency:	Continuously
QA/QC procedures:	Meter should be calibrated regularly according to standard ISO****. Measurement results should be cross-checked with the quantity of invoices from the grid operator.
Any comment:	

5.3.2. Guidance on monitoring procedures

Box 17.

1. Guidance related to monitoring requirements

- (a) The specific uncertainty levels, methods and associated accuracy level of measurement instruments and calibration procedures to be used for various parameters and variables should be identified in the PDD, along with detailed quality assurance and quality control procedures. In addition standards recommended shall either be national or international standards. The verification of the authenticity of the uncertainty levels and instruments are to be undertaken by the DOE during the verification stage. (EB 23, Para 24).

2. Guidance related to calibration (monitoring) requirements

- (a) A zero check cannot be considered as a substitute for calibration of the measurement instrument (EB 24, Para 37).

6. Section D: Explanations/justifications to the proposed new baseline and monitoring methodology

Box 18.

1. The section shall:

- (a) used to assist the assessment by the Meth Panel and the Executive Board in reviewing the methodology. If the proposed methodology is approved, these section is removed from the final version;
- (b) Provide the rationale for the procedures presented;
- (c) If the procedure draws from an approved methodology or tool, clearly note any changes to them or elaborations of them. Justify why such changes have been made;
- (d) Point out the key logical and quantitative assumptions, i.e., those assumptions that the results of the baseline methodology are particularly sensitive to;
- (e) Be clear about sources of uncertainty. Clearly point out which logical or quantitative assumptions have significant uncertainty associated with determining them. If the methodology makes a certain assumption in cases where there is uncertainty, explain why this assumption is appropriate;
- (f) Explain how the methodology ensures conservativeness. Explain how the procedures and assumptions on which the procedures rely are conservative. In particular, explain how assumptions in the case of uncertainty are conservative.

Attachment. List of standard variables

1. This attachment contains standard variable names drawn from approved methodologies and IPCC guidelines that should be used for all new baseline and monitoring methodologies. For ease of evaluation and use of methodologies, these names should be used wherever possible, unless there are specific reasons that a different designation is required. ISO or other standards could also be a reference, where appropriate.

Table 1 Emissions, emission factors and global warming potentials

Variable	Symbol	Units	Comments
Baseline emissions (total)	BE_y	tCO ₂ e	
Component of baseline emissions	$BE_{XX,y}$	tCO ₂ e	XX should be 2-3 letters or a word signifying the source of emissions (e.g. $BE_{LW,y}$ = baseline emission from land-filled waste)
Component and specific gas of baseline emissions	$BE_{GHG,XX,y}$	tCO ₂ e	GHG should be gas name; XX should be 2-3 letters or a word signifying the source of emissions
Project emissions	PE_y	tCO ₂ e	
Component of project emissions	$PE_{XX,y}$	tCO ₂ e	XX should be 2-3 letters or a word signifying the source of emissions
Component and specific gas of project emissions	$PE_{GHG,XX,y}$	tCO ₂ e	GHG should be gas name; XX should be 2-3 letters or a word signifying the source of emissions
Leakage emissions	LE_y	tCO ₂ e	
Component of leakage emissions	$LE_{XX,y}$	tCO ₂ e	XX should be 2-3 letters or a word signifying the source of emissions (e.g. $LE_{VH,y}$ = leakage emissions from vehicles)
Component and specific gas of leakage emissions	$LE_{GHG,XX,y}$	tCO ₂ e	GHG should be gas name; XX should be 2-3 letters or a word signifying the source of emissions
Carbon dioxide emission factor	$EF_{CO_2,XX}$	tCO ₂ /TJ	XX should refer to fuel type, and could be i to signify several possible fuel types (e.g. $EF_{CO_2,i}$ or $EF_{CO_2,coal}$, $EF_{CO_2,NG}$, $EF_{CO_2,oil}$)
Methane emission factor	$EF_{CH_4,XX}$	tCH ₄ /TJ	XX should refer to fuel type or process
Nitrous oxide emission factor	$EF_{N_2O,XX}$	tN ₂ O/TJ	XX should refer to fuel type or process
Carbon dioxide equivalent emission factor	$EF_{CO_2e,XX}$	tCO ₂ e/TJ	XX should refer to fuel type or process

Variable	Symbol	Units	Comments
CO ₂ emission factor for electricity	EF _{CO₂,ELEC,y}	tCO ₂ /MWh	
Global warming potential	GWP _{XX}	tCO ₂ e/t gas	XX should denote the gas (CH ₄ , N ₂ O)
Other emission factors	EF _{XX,YY}	tGHG/unit of output	XX should specify the gas (where necessary), YY is product output or service (e.g. EF _{CO₂,clinker} : emissions factor for clinker in tCO ₂ /t clinker; EF _{N₂O,NA} : emissions factor for nitric acid in tN ₂ O/t nitric acid)

Note: Note that standard IPCC emissions factors refer to emissions per unit of energy. If the methodology also uses emission per unit of mass, then different variable names should be used for this, or the equation should include the net calorific value to convert to energy units. If the methodology refers to emissions per unit of production or service, this should be indicated as described above under “Other emission factors”.

Table 2 General

Variable	Symbol	Units	Comments
Production output (project or baseline)	P _{xx,zz,y}	tonnes or m ³	XX indicates the product, y is year. ZZ represents baseline and project production of same product, if needed, use subscripts BL and PJ for baseline and project respectively (e.g. P _{NH₃,PJ,y} = production of ammonia in the project activity)
Density	ρ _x	t/m ³	E.g. ρ _{CH₄} = density of methane
Weight fraction or weight concentration	w _{GHG,XX}	volume or mass %	GHG is the gas; XX indicates where concentration sample is taken and/or substance measured (e.g. w _{CH₄,PJ} = concentration of methane in project gas stream)
Flow rate	FR _{xx,yy}	m ³ /time	XX should denote the gas, YY the type of flow stream (e.g. FR _{CH₄,flare})
Days	d	days	
Hour, year	h, y		
Energy			
Variable	Symbol	Units	Comments
Energy efficiency	η _{xx}	%	useful energy output/total energy input, also used for power plants and all boilers (e.g. η _{BL} = energy efficiency of piece of equipment in the baseline)

Variable	Symbol	Units	Comments
Electricity generation	EG_y	MWh	Project and baseline generation should include subscripts (e.g. $EG_{PJ,y}$)
Heat production	HG_y		Project and baseline generation should include subscripts (e.g. $HG_{BL,y}$)
Electricity consumption	EC_y		
Heat consumption	HC_y		
Net calorific value	NCV_{XX}	GJ/t	XX is the fuel or oxidized substance; XX could be <i>i</i> if there are many alternatives; standardized to lower heating value (e.g. NCV_{NG} = net calorific value of natural gas)
Fuel quantity combusted	FC_{XX}	t or m ³	XX is the fuel type (e.g. $FC_{Biomass}$ = quantity biomass combusted, FC_{NG} = quantity natural gas combusted)
Oxidation factor for fuel combustion	$OXID_{XX}$	%	XX is the fuel type, e.g. $OXID_{NG}$ = oxidation factor for natural gas
Specific energy consumption	SEC_{XX}	GJ/tonne production	E.g. $SEC_{clinker}$ = energy consumption per tonne of clinker produced
Specific fuel consumption	SFC_{XX}	tonne fuel/tonne production	E.g. SFC_{OPC} = fuel consumption per tonne of ordinary Portland cement production
Specific energy consumption in transport	$SEC_{YY,XX}$	GJ/t-km or passenger-km	YY is transport mode and XX is fuel
Weighting of operating margin	W_{OM}	-	
Weighting of build margin	W_{BM}	-	
Electricity generated by plant <i>i</i> on grid	$EG_{GRID,i,y}$	MWh	<i>i</i> is plant, <i>y</i> is year
Load factor	LF_x	%	<i>x</i> is plant identification
Operating hours	T_x	Hours	annual operating hours for plant/equipment <i>x</i>
Financial/economic			
Variable	Symbol	Units	Comment
Internal Rate of Return	IRR	%	
Discount rate	dr	%	

Variable	Symbol	Units	Comments
Net Present Value	NPV	\$ or LCU	
Agriculture, waste and fugitive methane emissions			
Variable	Symbol	Units	Comment
Methane gas destroyed in baseline	$GD_{CH_4,BL,y}$	tCH ₄	
Methane gas destroyed in project scenario	$GD_{CH_4,PJ,y}$	tCH ₄	
Flare efficiency	$\eta_{flare,t}$	%	This may have a time or period component t , if efficiency is measured and varies over time
Fraction of methane destroyed in baseline	$FD_{CH_4,BL,y}$	%	Used if the baseline specifies a percentage rather than absolute baseline estimate
Methane Conversion Factor	MCF	%	for landfill site or wastewater treatment plant
Chemical oxygen demand	COD_y	t COD	for effluent stream
Biological oxygen demand	$BOD_{i,y}$	t BOD	i is stage of treatment
Maximum methane production capacity	B_0	tCH ₄ /t input	“input” could be COD, or mass of waste stream (e.g. manure)
Degradable Organic Carbon	DOC_j	fraction	j is part of waste stream (e.g. slow vs fast degrading materials)
Fraction of DOC dissimilated	DOC_F	fraction	
Methane conversion factor for treatment of manure	$MCF_{manure,i}$	%	i is stage of treatment
Volatile solid excretion rate	VS_p	kg dry matter/animal-day	p is the population targeted
Industrial production			
Variable	Symbol	Units	Comment
Weight fraction of CaO or MgO	$w_{CaO,x}/w_{MgO,x}$	fraction	x can indicate clinker or raw material

Document information

<i>Version</i>	<i>Date</i>	<i>Description</i>
02.0	5 November 2012	Published as an annex to the annotated agenda of EB70. Revision includes guidance for project participants who wish to propose a new baseline and monitoring methodology for the purpose of being used together with a standardized baseline.
01.0	2 March 2012	EB 66, Annex 25 Initial adoption. These guidelines, along with the <u>Guidelines for completing the project design document form for CDM project activities</u> (version 01.0, EB 66, Annex 8), replace the <u>Guidelines for completing project design document (CDM-PDD) and the proposed new baseline and monitoring methodologies (CDM-NM)</u> (version 07, EB 41, Annex 12). There are no changes to the content of the document . It is now being published as a stand alone document.
Decision Class: Regulatory Document Type: Guideline Business Function: Methodology Keywords: standardized baselines		

Appendix 5 - Concept note on the impact of updating standardized baselines on CDM project activities

1. Procedural background

1. The use of standardized baselines can potentially reduce transaction costs, enhance transparency, objectivity and predictability, facilitate access to the clean development mechanism (CDM), particularly with regard to underrepresented project types and regions, and scale up the abatement of greenhouse gas (GHG) emissions, while ensuring environmental integrity. At the sixth session of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP) in Cancun, Mexico. Parties adopted decision 3/CMP.6 on the implementation of standardized baselines under the CDM.
2. Also at the sixth session of the CMP, Parties decided that Parties, project participants, as well as international industry organizations or admitted observer organizations through the host country's designated national authority (DNA), may submit proposals for standardized baselines applicable to new or existing methodologies, for consideration by the CDM Executive Board (hereinafter referred to as the Board).
3. Parties at the sixth session of the CMP also requested the Board to develop standardized baselines, as appropriate, in consultation with DNAs, prioritizing methodologies that are applicable to least developed countries (LDCs), small island developing states (SIDS), Parties with 10 or fewer registered CDM project activities as of 31 December 2010 and underrepresented project activity types or regions, inter alia, for energy generation in isolate systems, transport and agriculture.
4. In response to the request from the sixth session of the CMP, the Board developed the guidelines on establishment of sector-specific standardized baselines (EB62, Annex 8), which was further revised by the Board (EB65, Annex 23). The Board further developed the work programme for implementation of standardized baselines (EB65, annex 22). Part of this work programme includes the need to understand the implications of standardized baselines for existing regulatory documents such as the CDM Project standard (hereinafter referred to as the PS) the CDM Validation and verification standard (hereinafter referred to as the VVS) and the proposed new methodology guidelines (hereinafter referred to as the PNM).
5. At its sixty-eighth meeting, the Board considered a concept note on "the impact of update of standardized baselines on the CDM project activities". The note and a presentation made by the secretariat at that meeting covered the possible approaches and options available to consider the extent of impact of update of standardized baselines on the new CDM project activities and already registered CDM project activities. The Board requested the secretariat to provide information clarifying the impacts of updated standardized baselines on the new CDM project activities and/or already registered CDM project activities for consideration by the Board at its sixty-ninth meeting (EB68, paragraph 117).
6. At its sixty-ninth meeting, the Board considered an updated concept note on "the impact of update of standardized baselines on the CDM project activities"(Annex 7, EB69

Annotations), based on the request made by the Board at its sixty-eighth meeting. The Board requested the secretariat to launch a call for public inputs on the concept note and undertake an analysis of the options related to the impact of update of standardized baselines on new and registered CDM project activities, taking into account the public comments received, and to provide a proposal for consideration by the Board.

2. Purpose

7. This concept note is prepared for the consideration of the Board at its seventieth meeting, with the following purpose:
 - (a) To analyse various options related to the impact of updating standardized baselines on CDM project activities, taking into account stakeholder inputs, received from the call for public inputs and during the sixth CDM round table, on annex 7 to the EB69 annotations
 - (b) To provide the proposal for the Board's consideration to facilitate its decision on the impact of updating standardized baselines on new and registered CDM project activities;
 - (c) To effectively implement the regulatory framework on standardized baselines.

3. Key issues and proposed solutions

8. The "Concept note on the impact of update of standardized baselines on the CDM project activities" (Annex 7, EB69 annotations), described the following two options. The rationale, benefits and risks associated with each option was provided.
 - (a) Option-1: Updated standardized baseline will impact new project activities and already registered project activities:
 - (b) Option-2: Updated standardized baseline will impact new project activities only.
9. Subsequent to the Board's sixty-ninth meeting, the following comments were received from stakeholders through the call for public inputs and during the sixth CDM round table:
 - (a) *CDM Watch*: Apart from the criterion of pace of evolution of technologies, other factors could also play an important role in deciding the criteria for the update of standardized baselines, namely: (i) vintage of data for development of standardized baselines should be fixed in a way that standardized baseline is updated in time before the data used to develop it becomes too old; (ii) Lead time spent between the feasibility study of a project activity and actual implementation of the project activity changes from sector to sector, which can have material impact on deciding the frequency of update of standardized baseline in a particular sector.
 - (b) *CDM Watch*: Depending on the sector and project type, apply the approaches for update of emission reduction of project activities using standardized baselines, similar to those used for project activities using existing CDM methodologies, for example: (i) In some cases the baseline emission factor is fixed for the crediting period (or even all three crediting periods); (ii) In some cases project participants

have the choice to either use a fixed baseline emission factor or to update the baseline emission factor (e.g. grid emission factor tool); (iii) In some case the baseline emission factor is dynamic and updated annually (no choice for the project participants).

- (c) *CDM Watch*: “Guidelines for the establishment of sector specific standardized baselines” include a number of approaches which will seriously undermine the environmental integrity of the mechanism. It is difficult to assess the frequency of updates of standardized baselines, as long as these issues are not addressed.
- (d) *Project Developers Forum*: Option-2 as per concept note that results into impact of standardized baselines to new project activities only, is preferable.
- (e) *Project Developers Forum*: The frequent update of standardized baselines (e.g. 3 years) will: (i) adversely impacts the assurance of carbon cash flow, which could risk the prospect of finance by a bank; (ii) might result into selection of more carbon intensive technology as CDM project technology among the options available, due to lack of support of finance.
- (f) *Project Developers Forum*: About the statement in the concept note that provides an argument in favour of option-1 that this is in line with the existing requirements of the methodologies that contain the baseline based on benchmarks such as grid emission factor, it should be noted that: (i) Very few project activities use the ex-post update of grid emission factors, precisely because of the inherent risk for the carbon revenues; (ii) An ex-post calculation of emission factors for renewable energy project is likely to have a relatively small impact (<+-10%) on carbon revenues, as compared to potential impact the update of standardized baselines can have on already registered project activities; (iii) At the renewal of crediting period, the baseline is updated anyway.
- (g) *Project Developers Forum*: The version of standardized baseline applicable to a registered CDM project activity has been linked to the version available at the time of submission of first monitoring report. Given the frequency of update of standardized baseline (interim as 3 years), if the verification is scheduled after the updating then discrepancy could creep in. To avoid this, the version of standardized baseline to be used by CDM project activities should be the one available at the time of registration.
- (h) *The World Bank*: Updated standardized baselines should impact new project activities only i.e. it should not impact registered project activities within a crediting period. To ensure consistency with previous EB decisions (i.e. grid emission factor) baseline data should be required to be updated at the end of renewal of crediting period. More frequent update of project activities based on updated standardized baselines will present a new risk that will seriously deter investment interest in the standardized baseline approach. The standardized baseline approach already results in the “under-crediting” of emission reductions i.e. rewards only a portion of emission reductions with CERs. Therefore updates that occur at the end of crediting periods will not negatively impact environmental integrity.
- (i) *The World Bank*: The version of standardized baseline that should be used for verification of registered project activities is the version available at the time of

submission of first monitoring report by DOE for issuance of CERs. This version of standardized baseline should be applicable to all the verifications of the project activity till the end of its first crediting period.

- (j) *Designated Operational Entities*: Updated standardized baseline should only impact new project activities because the credibility of a scheme also relies on its ability to reduce investors' risks. Sound assumptions for option 2, such as the fact that other technologies available to PPs at the time of the investment decision may be implemented at the same time as the CDM project activity, already exist and suffice to guarantee environmental integrity.
10. Taking into account the comments submitted by the stakeholders, it can be concluded that stakeholders generally favour option-2 as outlined in annex 7 to the EB69 annotations. There are suggestions provided on the possible criteria of frequency of update of standardized baselines. The Board may wish to take this into account when approving the criteria for update of standardized baselines, work which will be conducted in 2013.
 11. Stakeholders have also suggested that existing approaches used to update CDM project activities based on requirements provided in CDM methodologies can be adopted for the update of project activities using standardized baselines. The existing approaches in CDM methodologies are defined for typical project activities and taking into account the necessity of different baseline approaches⁴ under different situations. For example, to calculate the emission reduction due to efficiency improvement in a boiler, the historical baseline approach using 48(a) is adopted in CDM methodologies, in which case the baseline can remain valid for all three crediting periods, provided that the requirements of the "tool for assessment of the validity of the original/current baseline and update of the baseline at the renewal of the crediting period" are met. However, such a static baseline is possible at the level of a project activity, but not at the level of sector. This is because there are potentially multiple project types implemented using standardized baselines, and the standardized baselines are based on the baseline approach that is similar to 48(c)⁵. In existing CDM methodologies, the baseline approach 48(c) requires the regular update of the benchmark or penetration rate of the sector as these are time-dependent. Therefore, it is necessary that the regular update of standardized baselines and its impact on project activities is accounted for; however, the frequency of update of standardized baseline may vary depending on the sector.
 12. One stakeholder commented that the use of the version of standardized baseline available at the time of submission of first monitoring report can lead to a situation where the project activity uses a version of standardized baseline, however the standardized

⁴ 48(a) Existing actual or historical emissions, as applicable.

48(b) Emissions from a technology that represents an economically attractive course of action, taking into account barriers to investment.

48(c) The average emissions of similar project activities undertaken in the previous five years, in similar social, economic, environmental and technological circumstances, and whose performance is among the top 20 per cent of their category.

⁵ The guidelines for establishment of sector-specific standardized baselines use the approach of penetration of technologies/fuels/feed stocks at the sectoral level to define the baseline technology.

baseline is updated before the verification is scheduled (or before the monitoring report is submitted), and therefore discrepancy may creep in. To avoid this situation, the Board may rule that the version of standardized baseline available on the day when the first monitoring period of the project activity ends should be used for the purpose of calculation of emission reduction for the entire crediting period.

13. One stakeholder commented that the version of standardized baseline available at the time of registration of the project activity should be used for the calculation of emission reduction for the entire crediting period. Acceptance of this suggestion contrasts with the argument provided in the concept note in favour of option 2 that it is reasonable to consider that other technologies (or fuel or feedstock) available to project participants at the time of investment decision may be implemented at the same time as the CDM project activity and therefore the impact of other technologies may be visible in the update of standardized baseline that is available at the time of the end of the first monitoring period of the project activity.
14. Based on the timelines that are followed in CDM project registration currently, it can be assessed that the adoption of option 2 assures environmental integrity. The reasons are explained below, for a case where a project activity is implemented before the project design document is prepared.
 - (a) The time taken for implementation of project activities from the point of investment decision varies from sector to sector, however it can be safely assumed to be around two years. The global stakeholder consultation could be around six months later than the implementation of project activity.
 - (b) The version of standardized baseline available at the time of global stakeholder consultation of project design document should be used for the purpose of registration of the CDM project activity. By the time this version is approved, it could be assumed that the alternatives available to project participants at the time of investment decision are implemented and standardized baseline may have captured their impact. However, there is a possibility that in some sectors this assumption may not hold true.
 - (c) On average, the time spent between the stakeholder consultation and registration is about one year. The time spent from registration until the end of the first monitoring period is about one year. This makes the total time spent between global stakeholder consultation and the end of the first monitoring period equal to approximately two years.
 - (d) The version of standardized baseline available at the end of the first monitoring period, which should be used for the calculation of emission reduction for the project activity for the first crediting period, can therefore safely capture the alternative technologies available to project participant at the time of investment decision.

4. Proposed work and timelines

15. Depending on the Board's decision on this matter, the following documents could be amended in accordance with the recommendations in paragraph 16 below, and presented to the Board at its seventieth meeting:

- (a) Amendments to the CDM project standard relating to standardized baselines; and
- (b) Amendments to the CDM validation and verification standard relating to standardized baselines.

5. Recommendation to the Board

16. Based on the above issues raised by stakeholders, analysis carried out and the recommendation made in the concept note submitted to the Board at its sixty-ninth meeting (Annex 7, EB69 annotations), the secretariat recommends that the Board requests the secretariat to incorporate the following principles in the documents referred to in paragraphs 15(a) and (b) above:
- (a) The updated SSB shall impact new project activities intending to use standardized baselines;
 - (b) The version of SSB to be used for the registration of CDM project activities shall be the approved version available at the time of uploading the document for stakeholder consultation;
 - (c) The version of SSB to be used for the calculation of emission reduction, shall be the approved version available on the day when the first monitoring period of the project activity ends;
 - (d) The approved version available on the day when the first monitoring period of the project activity ends, shall be used for calculation of emission reduction of project activity until the end of the crediting period;
 - (e) For renewal of crediting period, the version of SSB that is valid at the time of submission of the revised PDD for the renewal of the crediting period shall be used for the calculation of emission reduction;
 - (f) The additionality of the project activity shall not be reassessed in any crediting period, irrespective of the change in the additionality criterion (e.g. positive list of technologies for the sector) in the updated Approved Methodology using Standardized Baseline (AMSB).⁶

6. References

17. The detailed stakeholder comments on annex 7 to the EB69 annotations are available at the following link <http://cdm.unfccc.int/public_inputs/2012/eb70_04/index.html>.

- - - - -

⁶ Additionality criterion is only provided in AMSB and not in ASB.

Document information

<i>Version</i>	<i>Date</i>	<i>Description</i>
01.0	5 November 2012	Published as an annex to the annotated agenda of EB 70.
Decision Class: Regulatory Document Type: Information note Business Function: Methodology Keywords: standardized baselines		