



CDM: Proposed New Methodology
Meth Panel summary recommendation to the Executive Board
(version 01)

(To be used by the Meth Panel in addition to the full recommendation to the Board regarding a proposed new methodology (F-CDM-NMmp))

<i>Date and number of Meth Panel meeting:</i>	6 – 9 September 2005 Meth Panel 17
<i>Related F-CDM-NM document ID number (electronically available to EB members)</i>	F-CDM-NM0120: “Demand side electricity management program at Companhia Brasileira de Distribuição”
<i>Title of proposed new baseline methodology:</i>	Demand-side electricity management for food retailers, supermarkets, hypermarkets, shopping centres and other similar commercial activities
<i>Title of underlying project activity:</i>	Demand side electricity management program at Companhia Brasileira de Distribuição
<i>History of submission: (new section)</i>	First submission (Round 11, 01 June 2005) Final recommendation at Meth 17
1. One sentence describing the purpose of the methodology. (new section)	
>> The methodology estimates CO ₂ emission reductions from demand-side energy efficiency improvements that decrease electricity consumption in food retailers, supermarkets, hypermarkets, shopping centres and other similar commercial activities, implicitly assuming that in the absence of the project activity the same electricity intensity (determined as electricity consumption per sales area in square meters in all stores) would continue to be the same as in the last three years throughout the crediting period.	
2. Suggested applicability of methodology (former section A.I and B.I)	
>> Applicability conditions can not be assessed appropriately since the methodology lacks a methodologically sound approach to calculate emission reductions.	
3. Summary description of baseline methodology. Short statements on each on how the proposed methodology: (chooses the baseline scenario, demonstrates additionality, calculates baseline emissions, calculates project emissions, calculates leakage, calculates emission reductions) (former section B.I.)	
>> The methodology estimates CO ₂ emission reductions from demand-side energy efficiency improvements decreasing electricity consumption for food retailers, supermarkets, hypermarkets, shopping centres and other similar commercial activities. The implicitly assumed baseline scenario is the continuation of the same electricity intensity (determined as electricity consumption per sales area in square meters). The consolidated additionality tool is used to demonstrate additionality. Baseline emissions are calculated by assuming the historical electricity intensity of the last three years to continue throughout the crediting period. Project emissions are calculated based on actual monitored electricity consumption. A correction factor is used for transmission & distribution losses. A “whole facility park” approach is taken, where emission reductions are determined in aggregated manner for the whole building park (in the case of the underlying project, 551 stores in Brazil). The emission factor for the electricity grid is calculated with ACM0002 “Consolidated methodology for grid-connected electricity generation from renewable sources”. Emissions from increased fossil fuel consumption at the project sites as a result of the project activity are taken into account in the project scenario but not in the baseline scenario. Leakage emissions should be taken into account, however, it is not further specified in which cases and for what sources.	

4. Suggested “recommendation level” for the baseline and monitoring methodologies (A, B or C).
(former section A.I and A.II.)

>> C. Not to be approved.

5. Major reasons for B/C choice from the proposed baseline methodology: (outline the major reasons for needing revision/rejection)
(former section A.I.)

>> The methodology lacks a number of very basic issues, which would require a considerable modification of the methodology, including the generic methodological approach towards calculating emission reductions. In the following, the most important issues are highlighted:

- A clear identification of the baseline scenario is lacking.
The methodology does not describe how the most likely baseline scenario should be identified but implicitly assumes that the continuation of the same electricity intensity throughout the crediting period is the most likely baseline scenario.
- The implicitly assumed baseline scenario appears rather unlikely.
The continuation of the historical electricity intensity is assumed to be the most likely baseline scenario for the proposed project type. This seems not a very likely baseline scenario, for the following reasons:
- Endogenous improvements in energy efficiency are not factored out.
In the absence of the project activity, electricity intensity may decrease (or otherwise change) due to endogenous developments such as technological innovation, changes in the equipment park (e.g. smaller or larger cooling devices), changes in consumer behaviour, etc. Since the project may involve a broad range of demand-side energy efficiency measures, the broad generalization that electricity intensity remains constant during the crediting period appears inappropriate.
- Effects of regular equipment replacement are not taken into account.
This issue is closely linked to the previously mentioned: Energy efficiency improvements in buildings usually include the replacement of existing equipment (heating devices, refrigeration appliances, air conditioning, lighting, controlling, etc) with new equipment. The baseline scenario implicitly assumes that all existing equipment in the facilities would in the absence of the project activity have continued to be used throughout the crediting period – which is quite unlikely.
- The historical level from the past three years is not necessarily a conservative baseline assumption.
The methodology should explicitly address how to ensure that any prior energy efficiency improvements are included in the baseline. In the case of the underlying project, for example, an energy saving program was implemented in 2001, so that consumption was lower in 2002-03 compared to 2001. Taking a 3-year average, as suggested, creates a baseline consumption that is higher than the actual level in 2002/2003 and the levels that can be expected for the following years, resulting in an overestimation of emission reductions.
- Changes in the sales area are not appropriately addressed.
The methodology defines the baseline in such a way that credit would be given to reductions, even if the sales area increases beyond the historical level of the existing facilities. However, increases in the sales area would not involve any emission reductions.
- Changes in the composition and location of shops are not appropriately addressed.
The electricity demand may depend significantly on the type of shop. If the composition of supermarkets changes over time, this may involve significant changes in electricity generation. However, this effect is not taken into account in determining emission reductions. Also, the climatic conditions may influence the electricity consumption in the historical years and during the crediting period (e.g. due to electricity consumption for cooling and air conditioning). In a country as Brazil, a shift in the location of the supermarkets during the crediting period (e.g. more supermarkets in moderate climate) may considerably influence project emissions.
- Inappropriate equations.

The equations used are partly inappropriate and inconsistent.

- Uncertainties are not appropriately addressed.

Uncertainties of this methodology can be expected to be rather significant but are not addressed at all. In section G of the CDM-NMB it is stated that “there are no uncertainties involved”. This is wrong and suggests that the concept and origin of uncertainties has not been understood.

- Leakage is not appropriately addressed.

The methodology states that leakages must be investigated on a case-by-case basis and accounted for when they appear to be significant. If leakage is generally not to be expected from this type of project, this should be stated clearly and justified. Conversely, if significant leakage is to be expected, the methodology should provide guidance on how to assess and account for it.

6. Any major issues arising from the assessment of the proposed monitoring methodology (if different to those already raised above).

(former section A.II.)

>> None.

7. Any other issues arising to be stated, if necessary (e.g. cross-cutting, general or precedent-setting issues raised by the proposed new baseline or monitoring methodology).

>> None.



Signature of Meth Panel Chair

Date: 14/09/2005

(Jean-Jacques Becker)



Signature of Meth Panel Vice-Chair

Date: 14/09/2005

(José Miguez)

Information to be completed by the secretariat

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