

CDM-EB86-AA-A07

Concept note

Establishment of new CDM project activity
in a physical or geographical location of an
existing CDM project

Version 01.0



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1. Procedural background

1. The Executive Board of the clean development mechanism (CDM) (hereinafter referred to as the Board) at its eighty-third meeting (EB 83) considered a concept note on a new activity in the same physical geographical location at which a CDM project activity (PA) or a component project activity (CPA) under a CDM programme of activities (PoA), whose crediting period has expired, existed and issued a clarification (CDM-EB83-A01). The clarification specified that if the designated operational entity (DOE), coordinating/managing entity (CME) or project participant (PP) identifies that the proposed PA and/or CPA is in the same geographical location of a former project, prior to submitting a request for registration they shall submit a letter to the Board following the "Procedure: Direct communication with stakeholders". The Board requested the secretariat to reflect the agreed criteria and the process in the relevant regulatory documents.
2. In addition to the above, while agreeing to the criteria, the Board also:
 - (a) Requested the secretariat to analyse the extension of the applicability of the agreed criteria or identification of additional criteria applicable to PAs and CPAs of PoAs whose crediting period has not yet expired;
 - (b) Agreed to consider developing additional criteria, based on which certain cases may not need to follow the agreed process, at a future meeting.
3. Items 2 (a) and 2 (b) are considered in this concept note.
4. This work relates to the activity "New project in the same physical geographical location at which a project whose crediting period has expired existed" under objective 1(c): "Develop simplified and user-friendly standards and procedures that increase efficiency and ensure environmental integrity" as referred to in table 4 of the CDM management plan 2015 (CDM-EB81-A01).

2. Purpose

5. This concept note:
 - (a) Analyses the extension of the applicability of the agreed criteria or identification of additional criteria applicable to PAs and CPAs of PoAs whose crediting period has not yet expired;
 - (b) Considers the development of additional criteria, based on which certain cases may not need to follow the agreed process.

3. Key issues and proposed solutions

3.1. Extension of the approved criteria

6. The secretariat analysed whether the criteria adopted by the Board at EB 83 (CDM-EB83-A01) could be extended to PAs and CPAs of PoAs whose crediting period has not yet expired.

7. The analysis concludes that the impact on the baseline, additionality and leakage remains the same, irrespective of whether or not the crediting period of an existing project has expired in a geographical or physical location in which a new CDM project activity is being implemented.
8. Extending the criteria to include PAs/CPAs and PoAs whose crediting period has not expired would improve the integrity of the emission reductions estimated. However, from the perspective of practical implementation, this extension would introduce an unreasonable burden for distributed units project activities implemented in households. Various technologies (e.g. energy-efficient lamps, energy-efficient cookstoves, water purifiers, etc.) may be implemented, in parallel or in a staggered manner in the same physical location (i.e. households), and requiring them to communicate with the Board prior to registration would be a barrier as it is currently implemented without any impact on emission reductions.
9. In order to address the above circumstance, an additional condition could be included in the clarification that “Project activities involved with distributed units implemented in households do not need to submit a communication to the Board in accordance with the “Procedure: Direct communication with stakeholders”, even if the proposed PA/CPA is in the same geographical location as a former project”.
10. To implement the extension elaborated above, the definition of ‘former project’ as defined in the clarification (CDM-EB83-A01) would need to be shall be amended as “Former project – any registered CDM PA/CPA whose crediting period may or may not have expired which has the same geographical location as the proposed PA/CPA”. Consequently, the Board’s clarification and subsequently the regulatory documents would need to be shall be modified accordingly, for instance requiring reporting of other CDM PAs/PoAs on the project location, regardless of whether their crediting period has expired.

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

11. The Board requested the secretariat to identify criteria under which the communication process specified in the clarification (CDM-EB83-A01) could be excluded.
12. The secretariat analysis concludes that if the condition specified in paragraph 13 below is met, then project activities could be exempted from submitting a communication to the Board in accordance with the “Procedure: Direct communication with stakeholders” seeking prior approval from the Board before registration.
13. The proposed criteria require that the proposed project does not to lead to the displacement of the former project if it continues to result in greenhouse gas mitigation and to comply with all of the following three criteria in order to consider the proposed activity as new:
 - (a) It utilizes both a different measure and a different technology than the former project (for example a landfill site is converted into a wind park or solar park);

- (b) It does not share or utilize any of the assets¹ of the former project (for example in a case where it can be demonstrated that the two projects are unrelated, even though they share one production facility);
 - (c) It utilizes a different resource type compared to the former project (for example a wind park converted to a solar park).
- 14. The secretariat recognizes that fulfilling all of the identified criteria in paragraph 13 above would be restrictive to project participants proponents. Nonetheless, since in other cases there would be an impact on the baseline emissions, baseline scenario, additionality and/or leakage emission considerations, these cases would require adjustments to the applied baseline methodology prior to requesting registration and therefore require guidance by the board.
- 15. Below is a summary of the secretariat's analysis which reaffirms that the recommended criteria are necessary. The analysis demonstrates scenarios in which not all the criteria are met, and there is a possibility of the proposed activity being a continuation of the existing activity. Such analysed scenarios include:
 - (a) If the proposed project leads to the displacement of the former project, at least a clarification is required on how to estimate the baseline and leakage emissions, or it could even indicate that the proposed project is not new. Relevant scenarios are:
 - (i) Replacement of an operating wind park with, for example, a solar park. The dismantled wind park could have resulted in emission reductions if it was not for the proposed project;
 - (ii) Expansion of a landfill, in which a power generation unit that was used to operate an existing cell is moved to operate in a different cell, stopping the abatement of landfill gas in the original cell;
 - (iii) Replacement of an energy efficiency measure in a boiler with another improved energy efficiency measure;
 - (b) If the new project does not lead to displacement of the existing project, only if all the criteria are not fulfilled, the proposed project is not automatically considered new. Relevant scenarios are:
 - (i) In a nitric acid production facility, an N₂O abatement module is replaced with N₂O avoidance through process modifications. The measure and technology differ (abatement replaced with avoidance). Assets are not shared, as the abatement module is completely removed. However, both the proposed and existing project use a similar resource type, and the proposed project cannot be considered new;
 - (ii) An existing project of feedstock switch in an existing industrial facility, from coal to biomass, is augmented with energy efficiency which reduces the amount of fuel needed. Measures and technology differ (feedstock switch and technology switch), and assets could be separate (boiler in the former project and downstream process in the proposed project). The resources

¹ The assets do not include land.

are shared, as the energy stream in both projects is the same. Clear guidance is required on how to set the baseline of the proposed project (for which fuel type, with which efficiency).

16. The secretariat could not identify broader criteria that ensures that a project is definitely new and not a continuation of a former project. Therefore, the secretariat recommends that the Board adopt the criteria in paragraph 13.

3.3. Clarification of the proposed procedure

17. The DOE, CME or PP required to submit a communication to the Board in accordance with the "Procedure: Direct communication with stakeholders" specified in the clarification (CDM-EB83-A01) shall await for the Board's conclusion on assessment of whether or not a project activity is a continuation of a former project, prior to submitting a request for registration in accordance with the "CDM project cycle procedure". The Chair of the Board, where necessary may consult technical panels and working group's prior conclusion. In addition, as part of regular validation, the DOE shall confirm in the validation report the authenticity of the information provided by the PP to confirm that the implemented project activity is not a continuation of a former project.
18. For PAs and CPAs that are exempted from submitting a communication to the Board in accordance with the "Procedure: Direct communication with stakeholders", the DOE shall confirm in its validation report that the conditions provided in paragraph 13 above are met and the implemented project activity is not a continuation of a former project.

4. Impacts

19. Following the successful completion of this work, PPs and CMEs will have clarity on the eligibility of a new PA/CPA being proposed under the CDM at the geographical location of a former project.
20. The proposed work does not foresee any cost implications for third parties/stakeholders.

5. Subsequent work and timelines

21. The following work is planned if the Board agrees with the recommendations:
- (a) The secretariat would immediately revise the Board's clarification issued in EB 83 (CDM-EB83-A01), ; and
22. The secretariat would revise the relevant regulatory documents including the CDM project standard, CDM validation and verification standard, project design document (PDD) form and CPA design document (CPA-DD) form by including, inter alia, relevant definitions and reporting requirements, for adoption by the Board at a future meeting when such documents are up for their next revision.

6. Recommendations to the Board

23. The Board may wish to agree to:
- (a) Accept the criteria indicated in paragraph 13 and exempt project activities fulfilling those criteria from seeking prior approval from the Board prior to registration;

- (b) Expand the scope of the clarification issued at EB 83 (CDM-EB83-A01) to be also applicable to PAs and CPAs of PoAs whose crediting period has not yet expired;
- (c) Exclude distributed PAs implemented in households from the communication process established in the clarification;
- (d) Revise the clarification issued by the Board at EB 83 (CDM-EB83-A01) and direct the secretariat to incorporate the clarification subsequently in the relevant regulatory documents at a future point in time.

DRAFT

Appendix. Clarification: New project activity in the same physical or geographical location at which a project activity whose crediting period has or has not expired existed

1. Introduction

1. The issue of the establishment of a new clean development mechanism (CDM) project activity (PA) in the same physical or geographical location at which a CDM PA, whose crediting period has expired, previously existed was initially raised through a request for clarification by a project participant (PP), AM_CLA_0249: "Suitability of "ACM0001: Flaring or use of landfill gas" (version 13) for an unplanned expansion of a CDM project activity", i.e. where a "new landfill" is constructed on top of a closed landfill registered as a CDM PA with a fixed crediting period that expired in December 2012 (project 0027).
2. Relating to this, the CMP, through decision 3/CMP.9, paragraphs 15–17, decided as follows and requested the Board to report back as appropriate:

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

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

"17. Requests the Executive Board to report to the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol at its tenth session on the implementation of paragraph 16 above, including on criteria established to determine whether a project activity or component project activity is a continuation or modification of another project activity or component project activity, and, if necessary, to also make recommendations on possible changes to the modalities and procedures for the clean development mechanism".

2. Clarification

3. The PP, coordinating and managing entity (CME) or designated operational entity (DOE) shall declare information on the existence of a registered CDM PA or component project activity (CPA) under a registered CDM programme of activities (PoA) whose crediting

- ~~period has expired~~ (former project) ~~existed~~ in the same geographical location² of the proposed new PA/CPA.
4. If the PP, CME or DOE identifies that the proposed PA or CPA is in the same geographical location of a former project, prior to submitting a request for registration in accordance with the “CDM project cycle procedure”, they shall submit a **communication** to the Board following the “Procedure: Direct communication with stake holders”. **The following cases are excluded from this requirement:**
- (a) Proposed PA/CPA involves distributed units implemented in households;
 - (b) Proposed PA/CPA that does not lead to the displacement of the former project, if it continues to result in greenhouse gas emission reductions, and complies with all of the following criteria:
 - (i) It utilizes both a different measure and a different technology than the former project (for example, a landfill site is converted into a wind park or solar park);
 - (ii) It does not share or utilize any of the assets³ of the former project (for example, a case where it can be demonstrated that the two projects are unrelated);
 - (iii) It utilizes a different resource type compared to the former project (for example, a wind park converted to a solar park).
5. The PP CME or DOE, while submitting a **lettercommunication** to the Board **in accordance with paragraph 4 above**, shall explain that the new PA/CPA would not lead to the continuation or modification of the former project and does not impact its emission reductions and include at least information on the following issues:
- (a) Measure⁴: Whether the proposed PA/CPA uses the same measure to reduce greenhouse gas emissions as the former project. Measures are: fuel/feedstock switch, technology switch, methane destruction and methane avoidance;
 - (b) Technology: Whether the proposed PA/CPA uses the same technology (or technologies) as the former project; Two different PAs/CPAs are considered to be of the same technology if they:
 - (i) Provide the same kind of output and use the same kind of equipment and conversion process; or
 - (ii) Undertake the same course of action which results in the same kind of effect (e.g. two projects using the same management practice such as fuel switching);

² The geographical location includes the project boundary excluding the location of non-project-specific equipment such as electricity grid and district heating. It does not apply to distributed unit projects in which the project boundary consists of a region.

³ The assets do not include land.

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

- (c) Assets: Whether the proposed PA/CPA uses the same assets as the former project; the assets could be physical, namely project equipment or non-corporeal such as permits and exclusive position in legislation. Assets are essential to the implementation of a PA/CPA. The definition of asset in this case excludes land;
- (d) Output: Whether the proposed PA/CPA provides the same output as the former project; for example, a PA/CPA which is utilizing waste heat for electricity generation changes the use of waste heat to drying;
- (e) Resource: Whether the proposed PA/CPA uses the same resource type as the former project; the resource may include categories of goods, energy and energy carrier which are supplied into the project location and are required for the implementation of the PA/CPA, such as fossil fuel, by-product of a process, biomass, solar, wind, geothermal heat;
- (f) Any other additional information pertaining to establishment of baseline, additionality and leakage considerations.

6. The Chair of the Board, where necessary may consult with a methodological panel or working group prior to concluding on the case. In addition, as part of regular validation, the DOE shall confirm in the validation report the authenticity of the information provided by the PP or CME to confirm that the proposed PA or CPA is not a continuation of a former project.

7. For PAs and CPAs that are exempted from submitting a communication to the Board in accordance with paragraph 4 above, the DOE shall confirm in its validation report that the conditions provided in the same paragraph are met and the proposed PA or CPA is not a continuation of a former project.

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