

**Annex 2****THE USE OF METHODOLOGIES AND TIMELINES FOR THE PROCESS OF
CONSIDERING SUBMISSIONS RELATED TO METHODOLOGIES****PRELIMINARY ASSESSMENT AND PROPOSAL FOR IMPROVEMENT****EXECUTIVE SUMMARY****A. Mandate**

1. Following the request by CMP (paragraph 35 of decision 2/CMP.4), the Board, in its forty-seventh meeting, considered a preliminary analysis from the secretariat of CDM methodologies that have no use or low application in project activities. The Board agreed to continue the consideration of the issue at its forty-ninth meeting, along with an analysis by the secretariat, to be prepared in consultation with the Meth Panel and working groups, that would include the following:

- (a) Analysis of the reasons for delay in the consideration process of large-scale, small-scale and A/R methodologies;
- (b) Time spent for the consideration process by the panel and working groups, and the Board;
- (c) Broad assessment of the potential impact of approved methodologies on emission reductions, based on registered cases and projects under validation;
- (d) Key priority emission sectors and type of project activities for which no or very few methodologies are available, taking into account the aspect of regional distribution;
- (e) Concrete actions for improving the consideration process for methodology and prioritizing the work of the panel and working groups.

2. The Board also provided the mandate to the secretariat to launch a public call for inputs to analyse the reasons for low/no usage of the approved methodologies.

B. The workload of panels and working groups

3. There is an increase in the workload that is not related to the volume of submissions, but to their increasing complexity. In addition, more time is dedicated to the consideration of cross-cutting issues and for the development of tools.

C. Timelines and time spent for the consideration of submissions

4. Both the procedures for the submission and consideration of proposed new methodologies (version 13) and the procedures for the submission and consideration of proposed new methodologies for Afforestation and Reforestation projects activities under CDM (version 7) define the timelines for the submissions of new methodologies. A proposed new methodology shall be available to the Methodologies Panel (Meth Panel)/ Afforestation and Reforestation Working Group (A/R WG) at least 10 weeks prior to its next meeting and the Methodology Panel/ Afforestation and Reforestation Working Group shall finalize its recommendation to the Board within two meetings.

5. The procedures for the submission and consideration of a proposed new small-scale methodology (version 3) approved by EB 40 provides no timeline for the Small-Scale Working Group (SSC WG) to



finalize its recommendation. Also no timelines are set for completing the consideration of requests for revision or clarification of a methodology.

6. In this study, a timeline of six months has been applied for the consideration of both a proposed new methodology and a request for revision. This allows for two or three Panel/WG meetings, depending on the time between consecutive meetings. For the request for clarification, a timeline of three months has been considered.

7. The combination of the increasing complexity of the methodologies and the more proactive approach of the Meth Panel in trying to find solutions to the issues it identifies and not limiting its consideration to a compliance check on the methodologies has led to additional time and effort that frequently exceeds the timelines.

8. Only 62% of the non A/R large-scale new methodologies submitted met the six-month deadline for their consideration. From 2007 up to now, the consideration of only four requests for revision of non A/R large-scale methodologies have taken more than six months. More than 90% of the requests for clarification on non A/R large-scale methodologies were finalized during one Meth Panel meeting. Thirteen requests for revision could not be finalized in one Meth Panel meeting and were considered in further meetings.

9. For the period covered by this study, 83% of the non A/R proposed new SSC methodologies were considered in less than six months. Only 7% of the requests for revision of non A/R SSC methodologies were not finalized within one SSC-WG meeting. 86% of the requests for clarification on non A/R SSC methodologies were considered within one SSC-WG meeting. The main reason for the delay in the clarification on non A/R SSC methodologies is the time spent waiting for a revision of a methodology to be finalized.

10. More than 77% of the new A/R methodologies submitted were considered within six months.

D. Reason for delays in the process of consideration of submissions

11. The main reason for the delay in the process of considering the submissions is the increasing complexity of the methodologies and the very specific issues they raise, which results in requiring inputs from highly specialized experts. More and more, inputs from external consultants are needed. It is very often challenging for the Meth Panel to find a suitable consultant with expert knowledge on the very specific issues. For some cases, the expert cannot be contracted as an individual, but only through his organization. However, the process of hiring a company is long, and therefore not appropriate for this type of work, where the outcome is to be used by the Meth Panel for the consideration of a proposed new methodology. In number of cases where delays were observed, guidance from the Board was awaited. The following table provides examples of methodologies that took a long time to consider and that were finally rejected. We can see that although there were no methodology produced by the consideration process for these cases, it has resulted into useful guidances defining how to deal in the future with such type of methodologies. The only exception for which a methodology has been considered for long time without being approved and did not result into a guidance was NM0208. After several meetings, the Meth Panel gave up trying to address the complex issues raised by this methodology. However, CMP brought back the issue by requesting the Board to develop a guidance on the subject.



New methodology	Issue	Consultant	Guidance	Recommendation resulting from
NM0208	Displacement of off-grid electricity	Yes	No	No solution found to address the issues
NM0121	GHG emissions from a reservoir	Yes	Yes	EB guidance
NM0267	Permanence of emissions reduction related to fire extinguishing in coal fields	Yes	Yes	EB guidance
NM0284	Expansion of industrial gases recovery methodologies to new facilities	Yes	Yes	EB guidance

12. Another reason for delay is the need to provide the project participants (PPs) with enough time to review the changes made to their methodology, if they are substantial. This ensures that the usability of this methodology by their project is not affected.

E. Action to improve the timelines of the methodologies process

13. Two types of actions have been identified to improve the timelines of the process of considering submissions: streamlining of the consideration processes and prioritizing the work.

(a) Streamlining the process;

Actions	Expected results	Status
To identify and describe, through a flowchart, the processes as they are currently operating	More possibility of analysing and improving the performance of the processes	Done
To determine the relevance of each step (which requirement of the methodologies ToR in appendix C of the annex of Decision 3/CMP.1 each step would help to meet)	Elimination of steps that are not relevant	Needs EB approval



Actions	Expected results	Status
To identify all possible redundancy (different steps in the process that are redundant)	Elimination of steps that are redundant	Needs EB approval
<p>To identify promptly the bottlenecks in the process in order to take action for their removal</p> <p>1. Strengthening the pre-assessment of methodologies to include the assessment of whether additional information from PPs and/or inputs from external experts are needed.</p> <p>2. Creation of a roster of technical experts (using one CDM expert as the desk reviewer and one technical expert as the second reviewer, where relevant)</p>	Early identification of the need for additional information from PPs or early identification of a consultant	Needs EB approval (issue related to the payment of the technical experts if the input requires more than two working days)
To conduct a value analysis that compares for each step of the processes the added value (in terms of the contribution to comply with the requirements of the methodologies ToR) to the resources (including the impact of a delay)	Prioritization of the different steps of Methodologies processes	To be finalized
To identify where the risk of delay is most probable and to allocate the available resources accordingly	Optimization of the allocation of our resources	To be finalized

(b) Prioritizing the work.

14. The procedure for the submission and consideration of a proposed new methodology (version 13) defines in paragraph 11 the modalities for treatment of submissions confirmed to be completed on a ‘first come first served’ basis. The chair of the Meth Panel shall ascertain how many submissions are to be considered at the next Meth Panel meeting if more than ten proposed new methodologies are submitted.

15. Paragraph 9 of the procedure for the submission and consideration of a proposed new methodology for afforestation and reforestation projects activities under CDM (version 07) addresses the same issue with the same requirement.



16. There is an equivalent provision in the procedure for submission and consideration of a proposed new small-scale methodology (version 03) in paragraph 7. The submissions are to be treated on a ‘first come first served’ basis. The chair of the SSC WG shall ascertain how many submissions are to be considered at the next SSC WG meeting if more than five proposed new methodologies are submitted.

17. There is no equivalent type of provision for submission of requests for revision of or clarification on methodologies.

18. As the complexity of the submissions increases, requiring more resources, and producing delays in the processes, the relevance of setting priorities in the consideration of the submissions becomes apparent. Two approaches are available to operationalize prioritization in considering submissions:

19. The Board may decide to define criteria for prioritizing the consideration of the submissions for the Chair of the Panel/ WGs to use in order to elaborate the agenda of their meetings. This will define priorities among types of methodologies but also between new submissions, methodologies under work in progress, requests for revision, requests for clarification, development of tools and considerations of cross-cutting issues.

20. The Board may also want the Meth Panel to report on the status of considerations under work in progress for a certain number of meetings. In this case, the Meth Panel can inform the Board on:

- (a) The issues that cause the delay (specific technical issues);
- (b) How these issues delay the process of consideration (waiting for a consultant report, need for guidance from the Board);
- (c) Why it is relevant to continue considering the methodology (effort already done vs remaining effort, priority, etc);
- (d) A possible date for the finalization of the consideration process.

21. The Board, on a case-by-case basis, will guide the Meth Panel on whether it should continue the consideration of the matter or finalize the process at its next meeting.

F. Use of methodologies

22. The frequency of use of methodologies is based on several factors including: the applicability of the methodology; the potential of development of projects in the sectors in which it is applicable; the potential of emissions reduction of the projects in these sectors; the abatement cost of these types of project; the usability of the methodology. In this study, the monitored parameter is the frequency of use of the methodologies. However, the driving parameters on which we can act are whether the methodology would be usable and whether the methodology could be enlarged to apply to some sectors with high potential of emissions reduction.

23. It is important to stress that the two actions that are available to the methodology development process (enlarging applicability and increasing usability) to increase the use of methodologies can have a negative influence on each other. The more the applicability of a methodology is broadened, the more it might become complex, which would possibly decrease its usability. A typical example is provided by ACM0006. The broadening of its applicability conditions has resulted in such a complex methodology that its usability is affected. So, broadening the applicability conditions and increasing the usability of a methodology should be balanced in most of the situations.



G. Statistics on use of methodologies

Case of Approved Methodologies (AMs)

24. 76% of the projects using Approved Methodologies (AMs) are developed based on only 15 methodologies. The most frequently used AM for CDM projects development is AM0029 (53 projects), the methodology from grid connected electricity generation using natural gas as fuel. It is characterized by very simple and broad applicability conditions. The monitoring requirements are easy to meet. This is a typical example of a usable methodology. The next most frequently used AM is AM0025 (50 projects), a methodology of methane emission avoidance through alternative treatment process of waste and AM0034 (50 projects), the industrial gas destruction methodology for acid nitric plants. AM0025 has a very wide applicability condition covering multiple scenarios of the use of waste. It is a relatively complex methodology which is, however, frequently used. Only nine AMs are used to achieve 86% of the emissions reduction of projects registered or at the validation stage, using AMs. The industrial gas destruction methodologies have the highest potential for emissions reduction. Four methodologies among the top seven AMs are industrial gas destruction methodologies.

Case of Approved and Consolidated Methodologies (ACMs)

25. If we consider the approved and consolidated methodologies (ACMs), they are (strongly) dominated by ACM0002 in terms of the number of projects developed (both registered and at the validation stage) on the basis of the methodology as well as in terms of potential of emissions reduction. 1200 projects have been developed using ACM0002, representing 57% of all the projects developed based on ACMs. Four ACMs out of 15 account for 89% of the projects developed using ACMs. The biomass based electricity generation methodology ACM0006 has the second highest number of projects. Two other ACMs, ACM0012 (waste energy recovery) and ACM0001 (landfill gas recovery and methane destruction) have been used by more than 100 projects. In terms of emission reduction potential, ACM0002 accounts for 51% of the emissions reduction through the use of ACMs.

26. If all the methodologies are taken into account, (AMs as well as ACMs), just 13 methodologies account for 88% of the emissions reduction. The grid connected electricity generation related methodologies have the highest potential (ACM0002, AM0029 are among the top three), followed by the industrial gas destruction methodologies (AM0001, AM0021, AM0034, AM0028 are among the top 14). In third position are the methane emission avoidance methodologies related to waste (landfill, waste water treatment) or coal mine operations (ACM0008) or oil and gas sector (AM0009). The waste energy recovery methodologies (ACM0004 and ACM0012) are in fourth position. These four types of methodologies accounts for 92% of all the emissions reduction of the registered and under validation projects using AMs or ACMs.

27. AMS I.D. is the SSC methodology the most widely used by the SSC projects registered or under validation and it is also the methodology with the highest potential of emissions reduction. It is used by 54% of the SSC projects registered or under validation and accounts for about 50% of the emissions reduction.

28. In terms of potential, the methodologies related to the electricity generation sub sector (ACM0002, ACM0006, AM0029 and AMS I D) appear to have the highest potential of projects development as well as GHG emissions reduction.

29. Eight methodologies out of the 18 so far approved A/R methodologies (44% of the methodologies) have been used by a registered project or a project under validation. AR-AMS001 is the most used methodology. It seems to be the only methodology used more frequently in Sub Saharan



Africa (SSA) than in the other regions. 52% of the projects registered or under validation using this methodology are from SSA.

30. A large number of A/R and non A/R methodologies, large-scale as well as small-scale, are used very infrequently. For non A/R large methodologies, about 39% of the methodologies approved are used by less than two registered or under validation projects and about 19% of the approved methodologies have not been used at all. If the methodologies recently approved are excluded, there are 11% remaining methodologies that have not been used so far.

31. All the SSC non A/R methodologies have been used at least once by one project registered or not registered. 26% of the methodologies have only been used once.

32. For A/R methodologies, ten out of 18 approved methodologies have never been used representing 56% of the approved methodologies. They are mainly the more recently approved methodologies. It seems that it takes more time for a project to use an approved A/R methodology compared to a non A/R approved methodology.

H. Outcome of the call for inputs on the use of methodologies

33. A call for inputs on the use of methodologies was open from 08 June 2009 to 08 July 2009. 16 responses have been received, with one not submitted by the deadline. The summary of the inputs received is provided as appendix to this document.

34. The following reasons have been identified as main causes for the low/no use of approved CDM methodologies:

- (a) **Applicability constraints:** The applicability conditions of methodologies are too specific to the underlying projects. They are sometimes unclear and not flexible in the assessment of the compliance of projects to the applicability conditions of the methodologies. The Meth Panel also introduces changes that make the methodologies so restrictive that they are in some cases no longer applicable to the underlying submitted project.
- (b) **Low usability:** The usability of the methodologies is restricted in many cases due to limited interactions or inadequate communication between the Meth Panel and the methodology developers during the process of considering a submission. This is particularly relevant if the Meth Panel has introduced important changes in the methodologies. Compliance to some requirements related to the type and quality of data to be produced is unrealistic because it would be too costly and time consuming. The complexity of the methodologies is also a cause of low usability. There are some errors in some methodologies, making them difficult to understand.
- (c) **Issue related to the process:** The project-specific bottom-up approach to methodologies development narrows the applicability of the methodologies. The process of consideration of submissions is perceived as not sufficiently transparent (rationale of the decisions not available) and not providing opportunities for due processes. This can affect the usability of the methodologies.
- (d) **Low attractiveness:** The over conservativeness of some methodologies undermines their attractiveness.



35. The following actions have been proposed to improve the use of the methodologies:
- (a) The Meth Panel should be more proactive and give more time to revise the already approved methodologies for the purpose of expanding their applicability conditions. Particular attention should be paid to the expansion of methodologies to cover greenfield projects. The Meth Panel should also further work on the consolidation of methodologies.
 - (b) The Meth Panel should work on the simplification of the methodologies.
 - (c) The objectivity of the methodologies should be enhanced by using the improved approaches and guidelines from the established best operational and quality assurance/quality control practices of industry sectors.
 - (d) More interaction is needed between the methodology developers, the Meth Panel and the Working Groups. It is proposed that the methodologies developers be allowed to present and defend their submissions directly during the Meth Panel/ Working Groups meeting. This will help the various stakeholders to understand each other's concerns.
 - (e) Extensive monitoring requirements should be avoided, particularly for SSC methodologies. Default emission factors are to be proposed for specific end uses in specific regions.
 - (f) The methodologies should be assessed to identify the overly conservative requirements and to reformulate them to increase the attractiveness of the methodology.
 - (g) Lessons are to be learnt from the Gold Standard methodologies
 - (h) More time should be spent on increasing the drafting quality of the methodologies
 - (i) The process of consideration of submissions should be more transparent with regard to revisions and clarification (call for public inputs)
 - (j) The work initiated by the Meth Panel should be more transparent with regard to consolidations of methodologies and development of tools (call for public inputs)

I. Proposed actions to increase the usability of the methodologies

36. The no/low use of methodologies can be related to one or a combination of the following barriers:
- (a) The methodology has a very narrow applicability;
 - (b) The sector to which it is applicable has a limited potential of project development;
 - (c) The project that can be developed in its domain of applicability has a high abatement cost;
 - (d) The usability of the methodology is low;
 - (e) The attractiveness of projects using the methodology is low;
 - (f) The sector to which it is applicable is covered by more usable SSC methodologies.
37. Usability is the extent to which a product (the approved methodology) can be used by specified users (project developers) to achieve specified goals (project developments) with effectiveness, efficiency



and satisfaction in a specified context of use (Environmental integrity: Emissions reduction that are real, measurable verifiable and additional).

38. Usability is not intrinsic but depends on context. A methodology can be very usable for a given context (generally the context of the methodology developer) and not usable at all in another different context.
39. Actions to improve the use of methodologies are to be identified within the following framework:
- (a) The environmental integrity of the methodology shall never be compromised but an overly conservative approach should be avoided to maintain attractivity. Where a very conservative approach is proposed to address uncertainties in a simple way and/or without increasing the cost, an option should be available for project participants that would prefer a more accurate approach leading to more CERs.
 - (b) The methodologies are to be objective, usable and with broad applicability. However, these three characteristics are not independent. Each of them can impact negatively on the other's characteristics under some circumstances. Increasing the objectivity of the methodology at the level of defining every single detail, might require to be too much prescriptive (i.e. no room for interpretation). This may lead to very specific methodology that can not accommodate the various specific national or regional circumstances and a narrow applicability or may introduce complexity related to increased accuracy resulting in low usability. Broadening the applicability of the methodologies introduces complexity and, as a consequence, reduces the usability. It can also be done by maintaining an acceptable level of complexity for the project developer if it is less prescriptive. However, this might result in difficulties for the assessment of the projects using this methodology. So, it appears that a balanced approach between these three concepts is required.
40. Actions on the processes of consideration of submissions to improve the use of methodologies are to be identified within the following framework:
- (a) The processes shall ensure the environmental integrity of the methodology and also account for the other objectives they have to achieve.
 - (b) They should allow enough interaction with the project participants, particularly if substantial changes to the submissions are proposed by the Meth Panel.
 - (c) They should be transparent, making available all the rationales of the decisions and providing the public with opportunities for comment.
 - (d) They should be predictable and ensure consistency between the methodologies and between methodologies and guidances. For the processes to be predictable, they should meet their deadline and operate in a timely manner.
41. Achieving all these objectives together needs the processes to be streamlined and some prioritization of the work of the Meth Panel.
42. The actions and related monitoring for the improvement of the usability of methodologies are to be conducted on the use of the methodology (effectiveness, efficiency and satisfaction in a particular context of use); the user interface and interaction; the process used to develop and consider the methodology; and the capability of the Meth Unit to apply user centred processes of consideration of the submissions.

*Use of the Methodology*

43. Action: Specifying usability requirements and verifying that they have been achieved in a usability test conducted through survey.

User interface and interaction

44. Action: Allowing more interaction with the potential methodology user during the process of consideration, at various stage

Process of consideration of submissions

45. Action: Designing a process of consideration of the methodology that is more user oriented, with the objective of enhancing effectiveness and efficiency in the development (for project developers) and the assessment (for DOE and registration team) of projects using the proposed methodology, while counteracting possible adverse effects of the use of the methodology on the CDM environmental integrity.

Capability of the Methodologies related supporting structure

46. This measures the extent to which the supporting structure related to the Methodologies are capable of carrying out user-centred considerations for the methodologies and their related processes.

47. Actions: Monitoring the percentage of usability requirements achieved.

J. Key priority sectors and types of projects with no or very few methodologies

48. In terms of sectors, the transport sector, the mining and mineral production sector and the construction sector have the lowest number of methodologies. The transport sector has been identified as having a high potential for emissions reduction. Decision 2/CMP.4. also encouraged the project participants to submit methodologies for the transport sector. It seems to be one of the key priority sectors where additional methodologies are to be developed.

49. Energy for household is also a key sub-sector where availability of more methodologies with increased usability could result in both the development of additional CDM projects with a high impact on sustainable development as well as an improvement of the regional distribution of the CDM projects.
