

Annex 3

FURTHER CLARIFICATIONS ON METHODOLOGICAL ISSUES

In considering the first set of proposed new methodologies, the EB, in light of its observations, provides the following further clarifications.

A. Further clarification for project participants for drafting a proposal for a new methodology

1. **Decision tree:** When drafting a proposed new baseline methodology, project participants shall follow the following steps:

(a) Choose and justify why one of the approaches listed in paragraph 48 of CDM M&P is considered to be the most appropriate.

(b) Elaborate a proposal for a new methodology which, in accordance with earlier guidance provided by the Board (see guidance by the EB at its fifth meeting), is to be an application of the selected approach to a project activity, reflecting aspects such as sector, technology, region. The Board agreed that no methodology is to be excluded *a priori* so that project participants have the opportunity to propose any methodology which they consider appropriate. The project participant shall take into account guidance by the Board on aspects to be covered by a methodology (Annex 1 to EB report of its eighth meeting).

(c) Describe the proposed new methodology in Annexes 3 and 4 of the CDM-PDD taking into account guidance given by the Board at its fifth and eighth meeting as well as the information provided in the CDM PDD Glossary of Terms.

(d) Demonstrate the applicability of the proposed methodology, and, implicitly, that of the approach, to a project activity by providing relevant information in a draft CDM-PDD.

2. **Baseline and additionality**¹: Paragraph 43 of the CDM modalities and procedures stipulate that a CDM project activity is additional if its emissions are below those of its baseline (see guidance by the EB at its fifth meeting). “The **baseline** for a CDM project activity **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” (para 44 CDM M&P). In accordance with the Board’s guidance at its eighth meeting, a proposed new methodology shall explain how a project activity using the methodology can demonstrate that it is additional i.e. different from the baseline scenario. Project participants shall therefore describe how to develop the baseline scenario and “how the baseline methodology addresses...the determination of project additionality.” In addition, the methodology shall provide elements to calculate the emissions of the baseline. The project participants shall ensure consistency between the elaboration of the baseline scenario and the procedure and formulae to calculate the emissions of the baseline.

3. **Drafting quality:** Proposals should be written in a concise and clear manner. Important procedures and concepts should be supported by equations and diagrams. Non-essential information should be avoided. The Annexes 3 and 4 to the CDM-PDD shall not contain information which is related to the application of the proposed new methodology to the project activity for illustrative

¹ *The Baseline and additionality (issue linked to paragraphs 43 & 44 and appendix C, paragraph (a) (v)):* Paragraph 43 of the CDM modalities and procedures stipulates that a CDM project activity is additional if its emissions are below those of its baseline. The definition of a baseline is contained in paragraph 44 of the CDM modalities and procedures. The Executive Board agreed that no further work is required regarding this issue (Annex 3 of the report of the Board at its fifth meeting).

purposes. Project participants shall refrain from providing glossaries or using key terminology not used in the COP documents and the CDM glossary (environmental/investment additionality), and from rewriting the CDM-PDD instructions.

4. **Provide complete Annexes 3 and 4:** All algorithms, formulae, and step-by-step procedures for applying the methodology shall be included here. These Annexes shall provide stand-alone replicable methodologies, and avoid reference to any secondary documents if they wish to convey essential information, except where considered absolutely necessary (e.g. model documentation).

5. **Avoid repetitions:** Not unnecessarily repeat in the main CDM-PDD Sections A-E, submitted as a demonstration of the application of the proposed new methodology, text and methodological explanations already provided in the Annexes. The CDM-PDD Sections A-E are meant to provide information on the application of the methodology(ies) to the project activity.

6. **Data requirements and sources:** Clearly specify data requirements and sources, as well as 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.). Use International System Units (SI units – refer to http://www.bipm.fr/enus/3_SI/si.html).

7. **Titles:** Provide an unambiguous title for a proposed methodology. Avoid project-specific titles. The title, once approved, should allow project participants to get an indication of the applicability of an approved methodology.

B. Clarification on baseline methodologies for electricity generation CDM projects

8. **Ex post calculation of baselines:** The ex post calculation of baseline emission rates may only be used if proper justification is provided. In accordance with the identification of the elements of a methodology agreed by the Executive Board at its eighth meeting, baseline emission rates calculated ex ante must be reported explicitly in the draft CDM-PDD.

9. **Electricity generation - Justification of exclusion of hydropower from operating margin in the case of hydro-dominated grids:** If an electricity generation CDM project activity which uses an operating margin methodology is connected to a primarily hydropowered grid, project participants who want to exclude hydropower from the operating margin must justify this explicitly.

C. Guidance to the Methodologies Panel on formulating recommendations to the Board

10. In providing a recommendation on a proposed new baseline or monitoring methodology, the Meth Panel shall:

(a) Provide a short summary of the proposed new methodology, including the main reasons for recommending approval (A), reconsideration once project participants have made required changes (B), or non-approval (C) a proposed methodology;

(b) Substantiate in more detail reasons for (A), (B) or (C), in particular if its recommendation is different from those of experts that undertook desk reviews (desk reviewers);

(c) Ensure consistency across recommendations for (A), (B) or (C);

(d) Provide a recommendation on the conditions under which a methodology recommended for approval is applicable to other potential project cases and explain the reasons therefore.