

DRAFT

REPORT OF THE SIXTH MEETING OF THE METHODOLOGIES PANEL UNFCCC Headquarters, Bonn (Germany) 7-8 July 2003

I. RECOMMENDATIONS BY METHODOLOGIES PANEL TO THE EXECUTIVE BOARD

A. Consideration of proposed new methodologies (second round and “B” cases)

1. The Methodologies Panel (Meth Panel) has considered the following proposed new methodologies:
 - **NM0004 –rev** DNV (Det Norske Veritas) - Salvador da Bahia landfill gas project, Brazil
 - **NM0007 – rev** JQA (Japan Quality Assurance Org.) - HFC decomposition project in Ulsan, Republic of Korea
 - **NM0013** ChuoAoyama - Felda lepar hilir palm oil mill biogas project, Malaysia
 - **NM0016** DNV (Det Norske Veritas) - Graneros plant fuel switching project, Chile
2. After considering the proposed new methodologies as well as desk reviews and public inputs received, the Methodologies Panel agreed on the recommendations on three of the proposed new methodologies for the consideration for the Executive Board (as available in the UNFCCC CDM web site: URL http://cdm.unfccc.int/EB/Panels/meth/PNM_Recommendations/index.html).
3. The Meth Panel considered the proposed new methodologies for case NM0013 to be incomplete and requested that project participants to resubmit the proposed new methodologies and provide full information required in the CDM-PDD (sections A to E) and annexes 3 and 4. The Meth Panel prepared informal feedback to be forwarded to project participants on what has been submitted so far.
4. For those cases where the Board approves proposed new methodologies, the Meth Panel recommends that, upon approval, the methodologies should be edited and revised to reflect minor changes before their publication on the UNFCCC web site. Revisions shall be made by the Chair and vice-Chair of the Meth Panel, with assistance by the relevant lead reviewers from the Meth Panel and the secretariat.

B. Evaluation forms

5. As requested by the Board, the Meth Panel has revised the form for the panel to make recommendations on proposed new methodologies and for desk reviews. Revisions are contained in annexes 1 and 2. The new forms should already be used for desk reviews for the next round of submissions of proposed new methodologies.
6. In addition, the Meth Panel has aligned the form for submitting public inputs for the consideration of the Board at its tenth meeting (see annex 3).

C. Clarifications on how, through the methodology, it may be demonstrated that a project is additional and therefore not the baseline scenario

7. The Executive Board, at its eighth meeting, indicated that a baseline methodology should explain, through the methodology, how a project is additional and therefore not the baseline scenario. However, several new methodologies submitted to the Board in the first round of methodology submissions did not do this, which is one of the reasons that revisions were requested to these methodologies. The Board, at its ninth meeting, requested the Meth Panel to prepare recommendations for the consideration of the Board at its tenth meeting on how, through the methodology, it may be demonstrated that a project activity is additional and therefore not the baseline scenario.

8. The CDM modalities and procedures define additionality in paragraph 43. This states that “A CDM project activity is additional if anthropogenic emissions of greenhouse gases by sources are reduced below those that would have occurred in the absence of the registered CDM project activity.”

9. Methodologies submitted to the Board so far include different interpretations of the definition of additionality in paragraph 43 of the CDM modalities and procedures, i.e.:

(a) Interpretation 1: without the ability to register under the CDM, the proposed project activity would be, or would have been, unlikely to occur. A baseline methodology evaluates a priori whether the project activity is the baseline scenario;

(b) Interpretation 2: if the proposed CDM project activity is not implemented, a less GHG-friendly activity would have been initiated or be continued instead. A baseline methodology does not evaluate a priori whether the project activity could be the baseline scenario.

10. The second interpretation differs from the first in that it does not question whether or not the proposed CDM project activity would have gone ahead anyway.

11. Based on its experience in reviewing methodologies submitted so far, the Meth Panel recommends that the first interpretation should be the only one used .

12. The Meth Panel also recommends that a new methodology should include a procedure to assess “why the proposed CDM project activity” is less likely to occur than one or more of the other possible scenarios. Illustrative examples of such procedures include, but are not limited to:

(a) A flow-chart or series of questions that lead to a narrowing of potential project options; and/or

(b) A qualitative or quantitative assessment of different potential options and an indication of why the non-project option is more likely; and/or

(c) 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

(d) 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 recent/pending legislation/regulations.

D. Clarifications for describing a proposed new methodology and justifying the selection of the most appropriate approach from those contained in paragraph 48 of the CDM modalities and procedures

13. A proposed new version of the CDM-PDD for submitting proposed new methodologies is being considered by the Meth Panel and will provide for better guidance on describing a proposed new methodology.

14. Developers of new baseline methodologies should 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.

15. Past methodology proponents have encountered some apparent overlap between approaches a, b, and c. Since only one approach should be chosen in accordance with paragraph 48, developers are advised to select the one that most closely reflects the process used for calculating baseline emissions or baseline emission rates. If a different approach is implicit in the process used for additionality determination, this does not need to be reflected in the selection of the approach.

16. For instance, proposed methodologies have in at least two cases thus far (both recommended for approval) used an economic (cost-effectiveness) approach to additionality assessment, while relying on historical or actual data to calculate baseline emissions. In such cases, developers should indicate the approach used for the latter (paragraph 48 (a) of the CDM modalities and procedures in this example) and not the former.

E. Clarifications on ex post calculation of baselines:

17. The Meth Panel took note of clarifications by the Board, at its ninth meeting, on methodologies (Annex 3, paragraph 8), and recommends that in order to further clarify the application of this paragraph, the second sentence of the paragraph is redrafted as follows:

18. In accordance with the identification of the elements of a methodology agreed by the Executive Board at its eighth meeting, baseline emission rates **shall also be** calculated ex-ante **and** be reported explicitly in the draft CDM-PDD.

F. Revisions to the CDM-PDD

19. As requested by the Board, the Meth Panel has started revising the CDM-PDD for the consideration of the Board. The Meth Panel agreed to continue revising the CDM-PDD at its seventh meeting with a view to prepare recommendations to the Board for its consideration at its eleventh meeting.

20. The Meth Panel agreed that annexes 3 and 4 of the CDM-PDD (version 01) should be separated from the CDM-PDD and be proposed as “stand alone” forms to be submitted by project participants together with the draft CDM-PDD and the new proposed methodology form.

G. Link between baseline and monitoring methodologies

21. The Meth Panel concluded that a strong link between baseline and monitoring methodologies should be provided. New baseline and monitoring methodologies shall be proposed and approved together. If project participants would like to use different combinations of approved baseline and monitoring methodologies they should submit a proposal for consideration of the Meth Panel and approval by the Board.

DRAFT

- 4 -

II. ROSTER OF EXPERTS

22. The Meth Panel agreed on approved new experts to be included in the roster of experts.
23. The Meth Panel noted the satisfactory completion of desk reviews undertaken for the first and second rounds of submissions of proposed new methodologies.