

RECOMMENDATIONS BY THE PANEL ON BASELINE AND MONITORING METHODOLOGIES (METH PANEL)

CDM Glossary of terms used in the CDM project design document (CDM-PDD)

Clean Development Mechanism (CDM):

Article 12 of the Kyoto Protocol defines the clean development mechanism. “The purpose of the clean development mechanism shall be to assist Parties¹ not included in Annex I in achieving sustainable development and in contributing to the ultimate objective of the Convention, and to assist Parties included in Annex I in achieving compliance with their quantified emission limitation and reduction commitments under article 3”.

At its seventh session, the Conference of the Parties (COP) adopted modalities and procedures for a clean development mechanism (CDM modalities and procedures, see decision 17/CP.7, document FCCC/CP/2001/13/Add.2) and agreed on a prompt start of the CDM by establishing an Executive Board (EB) and agreeing that until the entry into force of the Kyoto Protocol a) this board should act as the Executive Board of the CDM and b) the Conference of the Parties (COP) should act as the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (COP/MOP) as required by the Protocol and the CDM modalities and procedures.

Terms in alphabetical order:

“Attributable”

See “Measurable” and “attributable”.

Baseline:

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. A baseline shall cover emissions from all gases, sectors and source categories listed in Annex A (of the Kyoto Protocol) within the project boundary. A baseline shall be deemed to reasonably represent the anthropogenic emissions by sources that would occur in the absence of the proposed project activity if it is derived using a baseline methodology referred to in paragraphs 37 and 38 of the CDM modalities and procedures.

Baseline Approach

A baseline approach is the basis for a baseline methodology. The board agreed that the three approaches identified in paragraph 48 (a) to (c) of the CDM modalities and procedures be the only ones applicable to CDM project activities which are:

- Existing actual or historical emissions, as applicable; or
- Emissions from a technology that represents an economically attractive course of action, taking into account barriers to investment; or
- The average emissions of similar project activities undertaken in the previous five years, in similar social, economic, environmental and technological circumstances, and whose performance is among the top 20 per cent of their category.

¹ In this glossary Party is used as defined in the Kyoto Protocol: “Party” means, unless the context otherwise indicates, a Party to the Protocol. “Party included in Annex I” means a Party included in Annex I to the Convention, as may be amended, or a Party which has made a notification under Article 4, paragraph 2(g), of the Convention.

Baseline Methodology:

A methodology is an application of an approach, defined in paragraph 48 of the CDM modalities and procedures, to an individual project activity (reflecting aspects such as sector and region). No methodology is excluded a priori so that project participants have the opportunity to propose any methodology. In considering paragraph 48, the executive board agreed that, in the two cases below, the following applies:

- (a) Case of a new methodology: In developing a baseline methodology, the first step is to identify the most appropriate approach for the project activity and then an applicable methodology;
- (b) Case of an approved methodology: In opting for an approved methodology, project participants implicitly choose an approach.

Baseline - new methodology:

Project participants may propose a new baseline methodology established in a transparent and conservative manner. In developing a new baseline methodology, the first step is to identify the most appropriate approach for the project activity and then an applicable methodology. Project participants shall submit a proposal for a new methodology to a designated operational entity by forwarding the proposed methodology in a draft project design document (CDM-PDD), including a description of the project activity and identification of the project participants.

The proposed new methodology will be treated as follows: If the designated operational entity determines that it is a new methodology, it will forward the documentation to the EB. The executive board shall expeditiously, if possible at its next meeting but not later than four months review the proposed methodology. Once approved by the executive board it shall make the approved methodology publicly available along with any relevant guidance and the designated operational entity may proceed with the validation of the project activity and submit the project design document for registration. In the event that the COP/MOP requests the revision of an approved methodology, no CDM project activity may use this methodology. The project participants shall revise the methodology, as appropriate, taking into consideration any guidance received.

Baseline - approved methodology:

A baseline methodology approved by the EB and made publicly available along with relevant guidance. Approved methodologies are made available at <http://unfccc.int/cdm> or through a written request sent to cdm-info@unfccc.int or Fax: (49-228) 8151999.

Crediting Period:

The crediting period for a CDM project activity is the period for which reductions from the baseline are verified and certified by designated operational entities for issuance of certified emission reductions (CERs). Project participants may choose the starting date of a crediting period after the first emission reductions generated by the CDM project activity to optimise the amount of CERs. A crediting period shall not extend beyond the operational lifetime of the project activity.

The project participants may choose between two options for the length of a crediting period: 1) Fixed crediting period or 2) Renewable crediting period, as defined in paragraph 49 (a) and (b).

Crediting period – fixed:

“Fixed Crediting Period” is one of two options for determining the length of a crediting period (see this glossary). In the case of this option, the length and starting date of the period is determined once for a project activity with no possibility of renewal or extension once the project activity has been registered. The length of the period can be a maximum of ten years for a proposed CDM project activity. (paragraph 49 (b) of decision 17/CP.7).

Crediting Period - renewable:

“Renewable crediting period” is one of two options for determining the length of a crediting period (see this glossary). In the case of this option, a single crediting period may be of a maximum of seven years. The crediting period may be renewed at most two times (max 21 years), provided that, for each renewal, a designated operational entity determines and informs the executive board that the original project baseline is still valid or has been updated taking account of new data where applicable (paragraph 49 (a) of decision 17/CP.7). The length and starting date of the first crediting period has to be determined before registration.

Certification:

Certification is the written assurance by the designated operational entity that, during a specified time period, a project activity achieved the reductions in anthropogenic emissions by sources of greenhouse gases as verified.

Certified Emission Reductions (CER):

A "certified emission reduction" or "CER" is a unit issued pursuant to Article 12 and requirements there under, as well as the relevant provisions in these modalities and procedures, and is equal to one metric tonne of carbon dioxide equivalent, calculated using global warming potentials defined by decision 2/CP.3 or as subsequently revised in accordance with Article 5 of the Kyoto Protocol.

Conservative

See “Transparent and conservative”.

Designated Operational Entity (DOE):

An entity designated by the COP/MOP based on the recommendation by the CDM executive board as qualified to validate proposed CDM project activities as well as verify and certify reductions in anthropogenic emissions by sources of greenhouse gases. A designated operational entity shall perform validation or verification and certification. Upon request, the EB may however allow a single DOE to perform all these functions within a single CDM project activity.

Fixed Crediting Period:

See crediting period – fixed.

Host Party:

The Party not included in Annex I where the CDM project activity is physically located. A project activity located in several countries has several host Parties. At the time of registration a host Party shall meet the requirements for participation.

Issuance of Certified Emissions Reductions:

Issuance refers to forwarding the CERs to the registry accounts of project participants involved, in accordance with their request having deducted the quantity of CERs corresponding to the share of proceeds to cover administrative expenses for the CDM executive board and to assist in meeting costs of adaptation for developing countries vulnerable to adverse impacts of climate change, respectively, in accordance with Article 12, paragraph 8, to the appropriate accounts in the CDM registry for the management of the share of proceeds.

Leakage:

Leakage is defined as the net change of anthropogenic emissions by sources of greenhouse gases which occurs outside the project boundary, and which is measurable and attributable to the CDM project activity.

“Measurable” and “attributable”

In an operational context, the terms “measurable” and “attributable” in paragraph 51 (project boundary) of the CDM modalities and procedures should be read as “which can be measured” and “directly attributable”, respectively

Monitoring of CDM Project Activity:

Monitoring refers to collection and archiving of all relevant data necessary for determining the baseline, measuring anthropogenic emissions by sources of greenhouse gases within the project boundary of CDM project activity and leakage, as applicable.

Monitoring methodology:

A monitoring methodology refers to the method used by project participants for collection and archiving of all relevant data necessary for the implementation of monitoring plan.

Monitoring methodology - approved:

A monitoring methodology approved by the CDM executive board and made publicly available along with relevant guidance.

Monitoring methodology - new:

Project participants may propose a new monitoring methodology. In developing a monitoring methodology, the first step is to identify the most appropriate methodology bearing in mind good monitoring practice in relevant sectors. Project participants shall submit a proposal for a new methodology to a designated operational entity by forwarding the proposed methodology described in a draft project design document (CDM-PDD), including a description of the project and identification of the project participants.

A new proposed methodology will be treated as follows: The designated operational entity will forward the documentation to the EB. The executive board shall expeditiously, if possible at its next meeting but not later than four months review the proposed methodology. Once approved by the executive board it shall make the approved methodology publicly available along with any relevant guidance and the designated operational entity may proceed with the validation of the project activity and submit the project design document for registration. In the event that the COP/MOP requests the revision of an approved methodology, no CDM project activity may use this methodology. The project participants shall revise the methodology, as appropriate, taking into consideration any guidance received.

Operational lifetime of a CDM project activity

It is defined as the period during which the CDM project activity is in operation. No crediting period shall end after the end of the operational lifetime (calculated as from starting date)

Project Activity:

A project activity is a measure, operation or an action that aims at reducing GHG emissions. The Kyoto Protocol and the CDM modalities and procedures use the term “project activity” as opposed to “project”. A project activity could therefore be a component/aspect of a project undertaken/planned.

Project Boundary:

The project boundary shall encompass all anthropogenic emissions by sources of greenhouse gases under the control of the project participants that are significant and reasonably attributable to the CDM project activity.

The Panel on methodologies (Meth Panel) shall develop specific proposals, for consideration by the board, on how to operationalize the terms “under the control of”, “significant” and “reasonably attributable”, in paragraph 52 of the CDM modalities and procedures and appendix C, paragraphs (a) (iii) and (b) (vi). Pending decisions by the Executive Board on these terms, project participants are invited to explain their interpretation of such terms when completing and submitting a CDM-PDD.

Project Participants:

Project participants are Parties or private and/or public entities to whom CERs from the project activity in question would be issued.

At registration a statement signed by all project participants shall be provided clarifying the modalities of communicating with the executive board and the secretariat in particular with regard to instructions regarding allocations of CERs at issuance.

In accordance with the use of the term project participant in the modalities and procedures, a project participant is either a Party involved or, in accordance with paragraph 33 of the CDM modalities and procedures, a private and/or public entity authorized by a Party to participate, under the Party’s responsibility, in Article 12 project activities. Private and/or public entities may only transfer and acquire CERs if the authorizing Party is eligible to do so at that time.

Renewable crediting period:

See crediting period

Stakeholders:

Stakeholders mean the public, including individuals, groups or communities affected, or likely to be affected, by the proposed CDM project activity or actions leading to the implementation of such an activity.

Starting Date of CDM Project Activity:

Option 1:

The time at which emission reductions by the project activity can be documented. Project activities falling under the retroactivity clause have to provide evidence at the registration that the starting date falls in the period between 1 January 2000 and 10 November 2001 as stipulated in the decision 17/CP.7 (paragraph 13). Other project activities shall provide an estimated starting date.

Option 2:

The time at which implementation/construction/real action of project activity begin and can be documented. Project activities falling under the retroactivity clause have to provide evidence that the starting date falls on the period stipulated in the decision 17/CP.7 (paragraph 13) at the registration. Other project activities may provide an estimated starting date.

(Note: The Meth Panel recommends the EB to retain option 2 because option 1 is likely to include more project activities planned prior to the adoption of the Kyoto Protocol.)

Transparent and conservative

Establishing a baseline in a “transparent and conservative manner” (paragraph 45 (b) of the CDM modalities and procedures) means that assumptions are explicitly explained and choices are substantiated. In case of uncertainty regarding values of variables and parameters, the establishment

of a baseline is considered conservative if the resulting projection of the baseline does not lead to an overestimation of emission reductions attributable to the CDM project activity (that is, in the case of doubt, values that generate a lower baseline projection shall be used).

Registration:

Registration is the formal acceptance by the executive board of a validated project activity as a CDM project activity. Registration is the prerequisite for the verification, certification and issuance of CERs related to that project activity.

Validation:

Validation is the process of independent evaluation of a project activity by a designated operational entity against the requirements of the CDM as set out in decision 17/CP.7 its annex and relevant decisions of the COP/MOP, on the basis of the project design document.

Verification:

Verification is the periodic independent review and ex post determination by a designated operational entity of monitored reductions in anthropogenic emissions by sources of greenhouse gases that have occurred as a result of a registered CDM project activity during the verification period. There is no prescribed length of the verification period however it shall not be longer than the crediting period.