

REPORT OF THE FOURTH MEETING OF THE METHODOLOGIES PANEL
UNFCCC Headquarters, Bonn (Germany)
17-18 March 2003

I. RECOMMENDATIONS BY METHODOLOGIES PANEL TO THE EXECUTIVE BOARD

A. Additional guidance on what are the elements that should be comprised in a baseline methodology

1. In response to queries on what a methodology should include, the Meth panel recommends that the Board may provides guidance to project participants on elements to be considered in a baseline methodology.
2. When proposing a new baseline methodology, using annex 3 of the CDM-PDD project participants should consider the following elements:
 - (a) Basis for determining the baseline scenario:
 - Explanation of how the baseline is chosen, taking into account paragraph 45 (e)
 - Explanation of how one shows that a project is not part of the baseline
 - Underlying rationale for algorithm/formulae (e.g. marginal vs. average, etc.)
 - (b) Formulae/algorithms shall specify:
 - Data type (e.g. fuel(s) used, fuel consumption rates, etc.)
 - Data population, as relevant
 - Spatial level of data (local, regional, national, etc.)
 - Project boundary (gases and sources included, physical delineation)
 - Vintage of data (relative to project crediting years)
 - (c) Acceptable data sources and assumptions:
 - Where the data are obtained (official statistics, expert judgment, proprietary data, IPCC, commercial and scientific literature, etc.)
 - Assumptions used
3. Project participants selecting an approved methodology shall ensure that elements described in subparagraphs (a) to (c) above apply to their proposed project activity.

B. Additional guidance on approach 48 (c) of the CDM modalities and procedures for selecting baseline methodologies

4. Paragraph 48 (c) of the CDM modalities and procedures stipulates that “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”. If project participants wish to select this approach to select a baseline methodology:
 - (a) The methodology should address what it considers as “in similar social, economic, environmental and technological circumstances”;
 - (b) The methodology should consider “performance among the top 20 per cent of their category” as greenhouse gas emissions performance (in terms of CO₂eq emissions per unit output);
 - (c) The project participants shall assess:
 - (i) The output-weighted average emissions of the top 20 per cent of similar project activities undertaken in the previous five years in similar circumstances;

- (ii) The output-weighted average emissions of similar project activities undertaken in the previous five years under similar circumstances that are also in the top 20 per cent of all current operating projects in their category (i.e. in under similar circumstances as defined above);
- (iii) The project participants shall use the most conservative of (c)(i) and (c)(ii) as assessed above.

C. Scheme to label, describe and reference approved methodologies

- 5. The purpose of labelling, describing and referencing methodologies is to enable stakeholders to easily find and track methodologies. Finding approved methodologies for the same project category can assist in reducing transaction costs and speeding up the process.
- 6. The Executive Board at its fifth meeting has decided that by choosing an approved methodology, project participants implicitly have chosen an approach.
- 7. There might be generic methodologies that apply to more than one project category (e.g. scenario analysis, investment analysis).
- 8. The following initial labelling system for project categories is recommended:

Dimension 1 – sectors:

- Energy production
 - Grid electricity
 - Off-grid electricity
 - Other
- Buildings
- Transport
- Industry
- Agriculture
- Fugitive emissions
- Waste
- LULUCF
 - Afforestation
 - Reforestation
- Other

Dimension 2 – measures:

- Energy efficiency
- Fuel switching
- Other

D. Proposed project activities applying more than one methodology

- 9. If a project proposal addresses different “activities” requiring different methodologies, project participants may forward the proposed project using one CDM-PDD but shall complete the methodologies sections (sections A4.2, A.4.3, A4.4. and B to E of the CDM-PDD) for each of the activities.

E. Under which circumstances and how to operationalize paragraph 47 of the CDM M&P

- 10. Paragraph 47 stipulates that “the baseline shall be defined in a way that CERs cannot be earned for decreases in activity levels outside the project activity or due to *force majeure*”.

11. The Meth panel considers that an evaluation of this paragraph needs to be done case by case once methodologies are being proposed, if applicable. An output or product linked definition of baseline values (i.e. CO₂equ. per unit of output) is recommended in all circumstances, unless the project participants can demonstrate why this is not applicable and provide an alternative approach.

F. Proposals for options for treatment of "existing" and "newly" built facility

12. For project activities that retrofit or otherwise modify an existing facility, the baseline may refer to the characteristics (i.e. emissions) of the existing facility only to the extent that the project activity does not increase the output or lifetime of the existing facility. For any increase of output or lifetime of the facility due to the project activity a different baseline shall apply.

G. Procedures to forward and analyse new methodologies

13. In order to facilitate the work of the Meth Panel in analysing and reporting recommendations on proposed new methodologies to the Board, the Meth Panel recommends that the Board considers the following issues:

(a) That the Meth Panel, at the initial phase when new proposed methodologies are submitted, have at least 4 weeks for considering new methodologies but that final recommendations are made only after the Meth panel has the opportunity to meet as proposed in the schedule of meetings below;

(b) Paragraph 38 of the CDM modalities and procedures stipulates that a proposed new methodology is to be forwarded to the Board together with the draft project design document, including a description of the project and identification of the project participants. The Meth Panel recommends that the Executive Board shall provide additional clarification to this provision by stipulation that [all] sections [A to E] of the CDM-PDD should be fully completed and that the CDM-PDD would be considered as a draft in procedural terms;

(c) In order to facilitate recording of submissions of proposed new methodologies by DOEs, the Board shall request them to complete the "CDM: Proposed new methodology form" contained in annex 1 of this report;

(d) Following the practice of the Board in inviting public input in technical material developed by the Board and its panels, once the Board receives new methodologies the Board may wish to invite public inputs for a period of ten working days. Public inputs shall be made electronically and follow the "Proposed new methodology public comment form" contained in annex 2;

(e) In order to facilitate recording and comparison of reports by experts undertaking desk reviews of proposed new methodologies, desk reviewers shall be requested to complete the "CDM: Proposed new methodology expert form" contained in annex 3 of this report;

(f) In order to facilitate recording and comparison of recommendations by the Meth Panel to the Board on proposed new methodologies, the Meth Panel shall report to the Board using the form on "CDM: Proposed New Methodology Panel recommendation to the Executive Board" contained in annex 5 of this report.

14. In addition to the procedures specified in the terms of reference of desk reviewers, the Meth Panel has agreed on the following additional procedures for analysing new methodologies:

(a) Each new methodology received should be assigned to two members of the panel, to be selected in a rotational basis in alphabetical order. Although all panel members should be responsible for providing substantive feedback on every new methodology, these two members would:

(i) Assist the Chair of the Meth panel in selecting the experts from the roster to undertake the desk review of the new proposed methodology; and

- (ii) Be responsible to compile different inputs and prepare, under the guidance of the Chair of the Meth Panel, the final recommendations by the Panel to the Board.

(b) The Board may wish to consider remunerating the two panel members referred above for two working days each.

(c) Experts applying for the roster of experts to undertake desk reviews of proposed new methodologies shall complete, in addition to the P11, a table on detailed working and/or scientific and technical experience.

(d) On a rotational alphabetical order, two members shall be assigned at each meeting to consider CVs of experts applying to the roster and decide whether they should or not be included in the roster.

H. Schedule of Meth Panel meetings

15. Assess 4 weeks before each meeting if the meeting is necessary and whether the meeting should last 2 or 3 days.

Meeting	Date	Venue
Meth 05	22 – 23 May	Bonn (Germany)
Meth 06	7 – 8 July	Bonn (Germany)
Meth 07	8 – 9 September	Bonn (Germany)
Meth 08	November (date tbc)	Bonn (Germany)