

Annex 2

RECOMMENDATIONS ON GENERAL PRINCIPLES FOR BUNDLING

1. Introduction

1. This document is an effort to propose principles under which an annex/amendments to the CDM-SSC-PDD guidelines regarding bundling could be developed. After the Board has considered the recommendations by the SSC WG and has agreed on guidance detailed guidelines for bundling will be developed by the SSC WG.

2. The main goal of earlier efforts to introduce bundling into the CDM project cycle arose out of the conviction that small-scale project activities may not be able to absorb the high cost of project development, validation, monitoring and verification even under the simplified modalities and procedures for small-scale CDM project activities. By bundling a significant number of such small-scale CDM project activities, one can achieve significant reduction in the transaction costs often incurred at each stage of the project cycle. It can therefore be said that the main goal of bundling is to facilitate small-scale CDM project activities that would not have had the opportunity on individual basis, to be submitted as project activity within a bundle. One however needs to facilitate this, without opening up the mechanism to gaming due to loopholes in the structure put in place to facilitate bundling. The principles discussed in this document attempt to provide sets of flexible guidelines that are expected to assist in bundling small-scale CDM project activities while at the same time closing the door on gaming from bundling.

2. Some Important Definitions

3. The SSC WG, at its second meeting, provided recommendations on two options to implement the requirement as per paragraph 9 (a) of the simplified modalities and procedures for small-scale CDM project activities: “The size of the total bundled should not exceed the limits stipulated in paragraph 6 (c) of decision 17/CP.7”. The two options were to either limit the bundle to one project activity type only or to allow to different types where the limit for each type should apply.

4. In response to the request by the Board to clarify technical implications of bundling of different project types and in order to further clarify this option, the SSC WG proposes that each “component” of a bundle relating to one type should be treated as a “sub-bundle” and that each sub-bundle would have to comply with the limits set by decision 17/CP.7.

5. For the purpose of clarifying this concept the following definitions are proposed:

- **Bundle**

6. We propose a new definition of bundling, with some modifications respect to the definition provided in the Glossary of CDM-SSC terms in the document “Guidelines for Completing CDM-SSC-PDD and F-CDM-SSC. The definition is given as follows:

“Bringing together of several small-scale CDM project activities, to form a single CDM project activity or portfolio without the loss of distinctive characteristics of each project activity. Project activities within a bundle can be arranged in one or more sub-bundles, with each project activities retaining it distinctive characteristics. Such characteristics include its:

technology/measure; location; application of simplified baseline methodology. Project activities within a sub-bundle belongs to the same type. The sum of the output capacity of projects within a sub-bundle must not be more than the maximum output capacity limit for its type.”

- **Sub-bundle**

“An aggregation of project activities within a bundle having the characteristics that all project activity within a sub-bundle belongs to the same type.”

3. Amendments to the CDM-SSC-PDD guidelines regarding bundling

7. The following shall be added to the CDM-SSC-PDD Guidelines to address the bundling of small-scale CDM project activities. To put this in proper perspective we present below an extract of a decision made by the Board during its twentieth meeting:

8. The Executive Board considered during its twentieth meeting the recommendation prepared by the SSC WG, and agreed on the following:

“61. The Board requested the SSC WG to develop recommendations on detailed bundling guidelines for the following two bundling cases:

(a) Bundling of project activities of the same type, same category and technology/measure;

(b) Bundling of project activities of the same type, same category and different technologies/measures.

62. The Board requested the SSC WG to further analyse technical implications regarding the possible bundling of the following cases and prepare recommendations for the consideration of the Board:

(a) Bundling of project activities of the same type, different categories and technologies/measures;

(b) Bundling of project activities of different types.”

3.1. General recommendations for bundling of small-scale CDM project activities

3.1.1. Recommendations applicable to all bundling cases:

9. The following guidance has been provided by the Board at its twentieth meeting:
 - Project activities wishing to be bundled shall indicate when making the request for registration;
 - Once a project activity becomes part of a bundle for a project cycle stage, it shall not be de-bundled for this stage. The Board may consider debundling in exceptional situations;
 - The composition of bundles shall not change over time (i.e. the submission of project activities to be used in a bundle shall be made at the same time);
 - All project activities in the bundle shall have the same crediting period (*clarification could be provided that the same length and same starting date of the crediting period*).
10. Additional general recommendations suggested by the SSC WG:
 - A form with information related to the bundle must be included in the submission. The form should cover issues such as title of the bundle, general description, project participants, locations, types and categories, estimated amount of emission reduction, crediting period and monitoring plans.
 - It should be demonstrated that the bundle will remain under the limit for the type every year during the crediting period. The total emission reduction estimated for the crediting period must be included in the draft CDM-PDD and further monitored.
 - If a bundle goes beyond the limits for the selected small-scale CDM project activities type, the emission reduction that can be claimed for this particular year will be capped at the maximum emission reduction level estimated for the bundle by the project participants in the “Bundle” Form for that year during the crediting period.

3.1.2. Bundling of small-scale project activities of the same type, same category and technology/measure;

- Same baseline under conditions to be specified;
- One DOE can validate this bundle;
- A common monitoring plan can be utilized for the bundle with the submission of one monitoring report, under conditions to be specified (e.g. conditions for sampling);
- All CDM project activities within the bundle should have same crediting period, i.e. the same length and same starting date of the crediting period;
- One verification report is adequate, one issuance will be made at the same time for the same period, and a single serial number will be issued for all the project;
- The sum of the size (capacity for type I, energy saving for type II and direct emissions of project activity for type III) of the technology or measure utilized in the bundle should not exceed the limits for small-scale CDM project activities as set in paragraph 6 (c) of the decision 17/CP.7; and
- Each small-scale CDM project in the bundle should comply with the simplified modalities and procedures for small-scale CDM project activities and use an approved simplified baseline and monitoring methodology included in Appendix B of the simplified modalities and procedures for small-scale CDM project activities.

3.1.3. Bundling of small-scale project activities of the same type, same category and different technology/measure;

- Same baseline under conditions to be specified;
- One DOE can validate this bundle;
- Different monitoring plans will be required for the bundle and separate monitoring reports must be prepared;
- All small-scale CDM project activities within the bundle should have same crediting period, i.e. the same length and same starting date of the crediting period;
- One verification report will be adequate, one issuance will be made at the same time for the same period, and a single serial number will be issued for all the project;
- The sum of the size (capacity for type I, energy saving for type II and direct emissions of project activity for type III) of the technology or measure utilized in the bundle should not exceed the limits for small-scale CDM project activities as set in paragraph 6 (c) of the decision 17/CP.7; and
- Each small-scale CDM project in the bundle should comply with the simplified modalities and procedures for small-scale CDM project activities and use an approved simplified baseline and monitoring methodology included in Appendix B of the simplified modalities and procedures for small-scale CDM project activities.

3.1.4. Other cases for bundling

11. The other two cases are:

- 3.1.4 a) Same type, different categories and technologies/measures and;
- 3.1.4 b) Different types

12. It is the opinion of the SSC WG that the bundling of these two cases have the same technical implications as the bundling of projects with the same category but different technology/measure (3.1.3)

13. Therefore, if projects that falls under 3.1.3 can be bundled, then those that falls under 3.1.4 a) and b) can be bundled using the guidelines listed above for 3.1.3.