



## Annex 12

## GUIDELINES ON COMMON PRACTICE

(Version 01.0)

## I. Definitions:

1. **Applicable geographical area** covers the entire host country as a default; if the technology applied in the project is not country specific, then the applicable geographical area should be extended to other countries. Project participants may provide justification that the applicable geographical area is smaller than the host country for technologies that vary considerably from location to location depending on local conditions.
2. **Measure**<sup>1</sup> (for emission reduction activities) - a broad class of greenhouse gas emission reduction activities possessing common features. Four types of measures are currently covered in the framework:
  - (a) Fuel and feedstock switch;
  - (b) Switch of technology with or without change of energy source (including energy efficiency improvement);
  - (c) Methane destruction;
  - (d) Methane formation avoidance.<sup>2</sup>
3. **Output**<sup>3</sup> - goods or services with comparable quality, properties, and application areas (e.g. clinker, lighting, residential cooking);
4. **Different technologies** are technologies that deliver the same output and differ by at least one of the following (as appropriate in the context of the measure applied in the proposed CDM project and applicable geographical area):
  - (i) Energy source/fuel;
  - (ii) Feed stock;
  - (iii) Size of installation (power capacity):
    - Micro (as defined in paragraph 24 of Decision 2/CMP.5 and paragraph 39 of Decision 3/CMP.6);
    - Small (as defined in paragraph 28 of Decision 1/CMP.2);
    - Large;
  - (iv) Investment climate in the date of the investment decision, inter alia:

<sup>1</sup> The definition is taken from Annex 8 of the EB 62 Report.

<sup>2</sup> An example of methane formation avoidance is the use (e.g. for energy generation) of biomass that would have been left to decay in a solid waste disposal site. The measure prevents the formation of methane.

<sup>3</sup> The definition is taken from Annex 8 of the EB 62 Report.



- Access to technology;
  - Subsidies or other financial flows;
  - Promotional policies;
  - Legal regulations;
- (v) Other features, inter alia:
- Unit cost of output (unit costs are considered different if they differ by at least 20 %);

## II. Stepwise approach for Common Practice

5. Step 1: Calculate applicable output range as +/-50% of the design output or capacity of the proposed project activity.

6. Step 2: In the applicable geographical area, identify all plants that deliver the same output or capacity, within the applicable output range calculated in Step 1, as the proposed project activity and have started commercial operation before the start date of the project. Note their number  $N_{all}$ . Registered CDM project activities shall not be included in this step<sup>4</sup>;

7. Step 3: Within plants identified in Step 2, identify those that apply technologies different that the technology applied in the proposed project activity. Note their number  $N_{diff}$ .

8. Step 4: Calculate factor  $F=1-N_{diff}/N_{all}$  representing the share of plants using technology similar to the technology used in the proposed project activity in all plants that deliver the same output or capacity as the proposed project activity.

9. The proposed project activity is a “common practice” within a sector in the applicable geographical area if the factor F is greater than 0.2 and  $N_{all}-N_{diff}$  is greater than 3.

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### History of the document

Version	Date	Nature of revision(s)
01.0	EB 63, Annex 12 29 September 2011	Initial adoption.
<b>Decision Class:</b> Regulatory <b>Document Type:</b> Guideline <b>Business Function:</b> Methodology		

<sup>4</sup> This should be subject to further review.