

UNFCCC

WORKSHOP REPORT

Title of workshop: UNFCCC Workshop on Identification of Constraints in Application of Approved A/R CDM Methodologies

Organizer: SSU / Meth 1 / AR

Date/s: 12 May 2011

Location: UN Premises Bonn

Objectives of the workshop:

This workshop was organized in follow-up of the decision of the CDM Executive Board contained in paragraph 42 of the report of the Board's fifty-eighth meeting.

The objectives of the workshop were:

- To get stakeholders' views on constraints in application of approved A/R CDM methodologies and tools;
- To collect views on further improvement of approved A/R methodologies and tools.

Attendance

The workshop was attended by project participants, project developers, DOEs, representatives of voluntary carbon offset organisations, members of the A/R Working Group, and secretariat staff from SSU and other units of SDM.

List of participants is contained in Annex 2 of this report.

Agenda

The workshop was organized in five sessions. Agenda of the workshop is contained in Annex 1 of this report.

Summary of session-wise proceedings

The following is a summary of proceedings in the five sessions of the workshop.

Session 1: Welcome and introduction

The workshop commenced with a welcome note and opening remarks by Ms. Diana Harutyunyan, Chair, A/R Working Group. While welcoming the participants to the workshop, she noted the importance of the workshop as an event for getting feedback from field experience in application of methodologies. Ms. Harutyunyan encouraged the participants to provide a frank and open assessment of what was working well and what needed to be improved in the approved methodologies. She assured that the A/R Working Group of the CDM Executive Board was committed to responding to the needs from the field so as to advance the process of A/R CDM project activities in order to realize their full potential.

This was followed by an introductory presentation by the secretariat. The presentation highlighted the following issues:

- A/R CDM project activities in overall CDM scenario
- A/R CDM projects in pipeline – an overview
- A/R CDM methodologies – an overview
- Evolution of methodologies over time
- Expected outcomes of the workshop

Session 2: Presentations by the Participants

Five presentations were made by the participants in which they focused on the experience of implementation of A/R CDM project activities, particularly with respect to field application of approved methodologies. Each presentation was followed by a Q & A session.

A brief summary of the presentations, highlighting difficulties faced in application of methodologies and recommendations for overcoming these difficulties, is provided below.

1. HP Bio-Carbon Reforestation Project – Improving Livelihoods & Watersheds **Speaker: Mr. Raj Kumar Kapoor, Mid Himalayan Watershed Development Project, India**

- Land eligibility – detecting small patches of forested lands (of 0.05 ha in case of India) scattered within the project boundary is difficult and costly; Parties should be allowed to revise the threshold values for definition of forest, on the basis of their experience of implementing A/R CDM project activities;
- Recording boundaries of individual discrete areas of land within the project boundary is difficult and costly, especially when the project land comprises of a large number of small land parcels; doing this should not be mandatory at validation, as the exact boundaries will anyway get surveyed when verification is carried out;
- It is difficult to put permanent marking around parcels and around small forested patches excluded from a parcel; a flexible and simple approach is required for this;
- Baseline data can vary across parcels, and it is very difficult to average it;
- It is difficult to estimate baseline GHG removals ex ante, since tree growth rates are often not available;
- Use of fixed sample plot may not be practical when land areas are not large and homogeneous;
- Estimating leakage – it is difficult to estimate and quantify the pressure on land parcels included in the project because: (i) communities are dependent on multiple land parcels for grazing and fuel wood extraction purposes; (ii) multiple stakeholders dependent on the same land parcels; (iii) shift of pressure is difficult to identify and quantify given the dependence of communities on multiple land parcels and multiple community groups dependent on identified land parcels;
- Cost of preparation, validation and verification of A/R CDM project activities is high due to stringent methodologies and involved EB guidelines, and often it is a time-consuming process;
- No mechanism for quick reference to the Executive Board for seeking clarifications is available;
- There is no manual for project preparation.

2. Reforestation project using native species in Maringa-Lopori-Wamba region (Democratic Republic of Congo) **Speaker: Gian Claudio Fausson, Infrastrutture e Servizi - IN.SER. S.p.A., Italy**

- Overall complexity of the methodology applied is too high, although newer methodologies are simpler (77 pages of AR-ACM0002 vs. 12 pages of AR-AMS0007);
- Too many data are required compared to what is available in sub-Saharan countries;
- The need for demonstrating the obvious can be avoided – e.g. no income except ICERs, but still PPs must demonstrate financial additionality;

- There is a lack of competition among DOEs;
- Validation is too expensive; this may be reduced by avoiding requirement of on-site visit by the DOE;
- Fixed fees for validation in Least Developed Countries would be appreciated;
- Opportunity to complain against working style / decisions of DOE should be available;
- Market limitations and constraints should be considered when a methodology is approved.

3. A/R CDM methodologies: Lessons Learned from Validation

Speakers: Sebastian Hetsch and Juan Chang, TÜV SÜD Industrie Service GmbH, Germany

- Difficult to comply with the land eligibility procedure:
 - Landsat data is key resource (resolution 30 × 30 m) while many host Parties have chosen small thresholds for CDM forest definition (e.g. 500 sqm area, 15% crown cover, 2 m height in case of India);
 - Quality of remote sensing data and analysis can differ; need to define steps for good practice in use of remote sensing data and analysis (e.g. geometric and thematic accuracy can be defined and standardized for all projects);
- Difficult to apply barrier analysis – the additionality tool mentions various barriers, but it is unclear for several barriers as to how the CDM can alleviate these (e.g. institutional barriers, local tradition, adverse ecological conditions) considering that what the CDM does is to provide additional financial incentives through carbon finance;
- Guidelines for application of barrier analysis in A/R CDM projects would be helpful;
- Difficult to apply investment analysis – the current guidance is not applicable to A/R CDM project activities, hence forestry-specific guidance is needed which should address issues such as:
 - What time-horizon should be considered for investment analysis (e.g. Is a crediting period of 60 years useful for an IRR calculation?);
 - How the residual value of project assets (e.g. of land, timber) is to be taken into consideration;
- List of monitoring parameters in old versions of methodologies is too long, which leads to difficulties at the time of verification. Is it possible to allow use of monitoring parameters according to later methodologies?
- Differences between the various A/R CDM methodologies are minor and many project activities could apply any of several methodologies; there are twelve large-scale and seven small-scale methodologies which are currently available. Is it possible to streamline the portfolio of methodologies?
- Need to streamline the registration process of A/R CDM projects to avoid administrative hurdles (due to specific A/R CDM features and requirements).

4. Current conditions of mangrove afforestation in Indonesia & the arranged methodology to estimate CO₂ fixation

Speaker: Yosuke Okimoto, Y L Invest Co Ltd, Japan

- Permanent mitigation benefits of A/R CDM project activities are not recognized under current set of rules – e.g. if harvest is used for producing energy which displaces energy from fossil fuel, should harvest be counted as loss of biomass?
- Intangible and environmental values of A/R CDM project activities are not taken into account;
- Small scale A/R CDM project activities may be not be financially viable;

- Insufficient allometric equations are available for mangroves;
- Applying DBH-based models for estimation of biomass of mangroves is difficult; instead, growth curves could be used for estimation of biomass of mangroves;
- Project registration sometimes faces delay because the host Party has not yet reported its threshold values for definition of forest.

5. The CarbonFix Standard

Speaker: Moriz Vohrer, CarbonFix Standard, Germany

- CDM additionality tool requires further revision because:
 - It is not clear what price of CERs is to be inserted into calculations; that is, sale is considered ex post or ex ante?;
 - No reference for benchmark IRR is provided, e.g. “state bonds”;
 - No guidance is provided whether IRR should be calculated with or without land purchase cost;
 - No guidance is provided about benchmark values of timber prices, timber volume, etc, and about how much variability in these parameters should be assumed for checking sensitivity of the IRR.

Session 3: Meeting in small groups

In the afternoon, the participants broke into three small groups to focus on specific topics listed in Annex 3.

Sessions 4: Presentations by small groups

Each small group made a presentation on the issues discussed and conclusions reached. The following is a brief summary of the recommendations made by the small groups.

Group 1: Baseline setting and demonstration of additionality

Presenter: Mr. Neil Bird

1. The A/R WG may consider providing specific guidance on:
 - a. Objective assessment of barriers and how these should be applied in demonstration of additionality;
 - b. Use of investment analysis in demonstration of additionality, including how to take into account residual value of land, timber, and other assets; how to select the benchmark value of future CERs; how to select the time-horizon of analysis, etc;
 - c. Standardized approaches to use of remote sensing data and participatory rural appraisal methods for demonstrating eligibility of land, including required resolution of imageries, whether proof of presence/absence of forest should be based on crown cover only or on both the crown cover and the height of vegetation;
 - d. What type of changes in project implementation from the description contained in a registered PDD require a notification, a request for approval, or no action.
2. The A/R WG may wish to facilitate stakeholder interaction, particularly by using electronic communication means, e.g.:
 - a. A method to invite public comment on a parameter or a value to be chosen for guidance;
 - b. On-line support (allowing posting of a question to be answered by the A/R WG);
 - c. Open on-line Q & A session prior to (or during) A/R WG meetings – a time slot could be reserved for this at the beginning of each meeting;
 - d. Allowing direct communication during validation of a project, particularly since

the validation staff may not apply the A/R standards in the way as the A/R WG has envisaged.

Group 2: Methodology-specific issues

Presenter: Mr. Daniel V. Ortega-Pacheco

1. Land eligibility – all valid options / approaches / proofs should be allowed, e.g. if PPs have aerial photos, they should be allowed to use these instead of being asked to use satellite imageries;
2. Fixing project boundary – more flexibility is required, e.g. a lot of small plots in a big area may constitute the land to be afforested; when the area is theoretically set, the PPs may be allowed to indicate a larger area to be planted and choose specific areas later;
3. Soil disturbance – demonstrating that impacts on soil disturbance are insignificant can be difficult;
4. Continuous forest inventory – application on a project level may not be justified;
5. Land tenure monitoring – projects mostly in lands not owned by PPs; contracts with communities and farmers are not always formalized and documented, standards of proof may vary; e.g. consider a project in India with 12,000 farmers each with 0.5 ha where asking for monitoring of contracts with regard to land tenure may introduce too much of burden;
6. Approved A/R methodologies – methodologies are perceived as similar, this may lead to confusion among PPs;
7. Additionality – in cases where additionality is obvious, PPs should not be required to go through the complex process described in the additionality tool, e.g. where there is no income except CERs, additionality may be obvious;
8. Financial analysis – guidance specific to forestry sector required, non-AR guidance does not apply well to forestry projects;
9. Barrier analysis – guidance on how to apply barrier analysis is needed. For example, what is an institutional barrier? How is it defined and demonstrated? What about cultural barriers? What does it mean to alleviate these barriers or the barrier of local tradition with the help of the CDM? Investment is a clear barrier but it is too close to financial barrier;
10. Facilitating the process of CDM – online submission of documents could be of help, interactive online process of applying corrections etc will reduce delays.

Group 3: Data requirements for application of methodologies

Presenter: Mr. Frank Werner

1. Reducing complexity and costs – ex-ante estimations need not be precise and crucial for the project, yet DOEs insist on precise data / equations in ex-ante estimation of CERs as there is a direct bearing of the same on the project IRR vis-à-vis additionality. Guidance is needed on this;
2. When no allometric equations are available, PPs should be allowed to develop their own allometric equations. Since validation / verification reports of registered A/R CDM projects are available on-line, availability of allometric equations to other PPs in future will become wider;
3. Soil disturbance restriction – for industrial plantations, where site preparation by mechanical means is the basic requirement, the 10% soil disturbance limit is too restrictive;
4. Definitions of trees and shrubs are not very distinct and this creates problem in identification of forest and non-forest land – especially in those countries where the forest definition by the DNA uses low threshold values;

5. Degraded land – degradation is obvious on physical examination of the site, but the DOE asks for concrete evidence, which is difficult to provide; hence guidance on framework of evidence is required;
6. Growth curve for baseline vegetation is often not available especially for degraded lands, and in such cases average curves are applied but the same is not acceptable to DOEs; default factors should be provided for this in methodologies. Growth curves can be developed on the basis of data obtained during verification; such data can become available for further use by other PPs;
7. Eligibility of land – the 1989 criteria is a difficult to prove under field conditions when it comes to providing concrete evidence, e.g. whether to use crown cover, or height, or both; how to account for natural regeneration; what evidences to collect, etc;
8. Process automation – automated computer-based system for entry of project information and project area drawings in computer packages (software), where PPs are required to enter the project data in the same format and the data is easily accessible by DOEs, can facilitate the process of A/R CDM;
9. Database – database related to region-wise and climatic condition-wise growth of species, BEFs, etc should be made available on the web, so that the PPs can directly use this data for their projects;
10. Determination of pre-project AR rate – providing data related to the region should not be required; which type of evidences should be given to satisfy the DOEs / RIT team is not very clear;
11. Re-conversion of land to forest without human intervention is difficult to prove or to rule out;
12. Some of the data requirements, like crown cover through aerial photographs, are very costly; some alternative method for estimation is required.

Sessions 5: Conclusion

The workshop concluded with closing remarks by the Vice-Chair of the A/R WG, Mr Daniel V. Ortega-Pacheco.

Mr. Ortega-Pacheco, while thanking the participants for their commitment to the CDM and the secretariat for the arrangements made for the workshop, said that the inputs received during the workshop will be used in improvement of the process and the standards relating to A/R CDM projects.

Remarks:

Electronic copies of this report and of the presentations made in the workshop are available at the following URL:

<http://cdm.unfccc.int/methodologies/index.html>

Annex 1: Agenda

UNFCCC Workshop on Identification of Constraints in Application of Approved A/R CDM Methodologies

Thursday, 12 May 2011

UN Premises Bonn (Langer Eugen)
Hermann-Ehlers-Strasse 10
53113 Bonn
Germany

Session 1: Welcome and introduction

Welcome note (Ms. Diana Harutyunyan, Chair, A/R Working Group)
Workshop overview (secretariat)

Session 2: Presentations by participants

- HP Bio-Carbon Reforestation Project – Improving Livelihoods & Watersheds
Speaker: Mr. Raj Kumar Kapoor, Mid Himalayan Watershed Development Project, India
- Reforestation project using native species in Maringa-Lopori-Wamba region (Democratic Republic of Congo)
Speaker: Gian Claudio Faussonne, Infrastrutture e Servizi - IN.SER. S.p.A., Italy
- A/R CDM methodologies: Lessons Learned from Validation
Speakers: Sebastian Hetsch and Juan Chang, TÜV SÜD Industrie Service GmbH, Germany
- Current conditions of mangrove afforestation in Indonesia & the arranged methodology to estimate CO₂ fixation
Speaker: Yosuke Okimoto, Y L Invest Co Ltd, Japan
- The CarbonFix Standard
Speaker: Moriz Vohrer, CarbonFix Standard, Germany

Session 3: Meeting in small groups

Session 4: Presentations by small groups followed by discussions

Group 1: Baseline setting and demonstration of additionality
Presenter: Mr. Neil Bird

Group 2: Methodology-specific issues
Presenter: Mr. Daniel V. Ortega-Pacheco

Group 3: Data requirements for application of methodologies
Presenter: Mr. Frank Werner

Session 5: Concluding remarks (secretariat)

Annex 2: List of participants

UNFCCC Workshop on Identification of constraints for the application of approved A/R CDM methodologies

Bonn, Germany

12 May 2011

Name	Organization
Akira Yamamoto	YL Invest Co., Ltd.
Çağlar Başsüllü	Climate Change and Bioenergy Working Group General Directorate of Forestry
Fábio Nogueira de Avelar Marques	Plantar Carbon Ltda.
Frank Werner	Werner Environment & Development
Fredrick Njau	Kenya Forests Working Group
Gian Claudio Fausson	Inser SPA, Italy
Juan Chang	TÜV SÜD Industrie Service GmbH
Mercedes García Madero	Spanish Association for Standardisation and Certification (AENOR)
Moriz Vohrer	CarbonFix Standard
Raj Kumar Kapoor	HP Mid Himalayan Watershed Development Project
Sebastian Hetsch	TÜV SÜD Industrie Service GmbH
Sudripta Roy	HP Mid Himalayan Watershed Development Project
Yosuke Okimoto	YL Invest Co., Ltd.

A/R Working Group members

Daniel V. Ortega-Pacheco
Diana Harutyunyan
Larwanou Mahamane
Marcelo Rocha
Neil Bird
Raul Ponce-Hernandez
Shailendra Kumar Singh
Timothy Pearson
Walter Oyhantcabal
Xiaoquan Zhang

UNFCCC Secretariat

Gopal Joshi
Guilhem Pouillevet
Maria Laura Vinuela
Panna Siyag
Wavinya Malinda
Wojtek Galinski
Yuko Nagata

Annex 3: Small groups for the brainstorming session

Group 1: Baseline setting and demonstration of additionality

Moderator: Ms. Diana Harutyunyan

Rapporteur: Mr. Neil Bird

Other members: Çağlar Başsüllü, Fábio Nogueira de Avelar Marques, Fredrick Njau, Sebastian Hetsch, Larwanou Mahamane, Marcelo Rocha, Raul Ponce-Hernandez, Panna Siyag, Gopal Joshi, Yuko Nagata, Maria Laura Vinuela, Guilhem Pouillevet

Group 2: Methodology-specific issues

Moderator: Mr. Daniel V. Ortega-Pacheco

Rapporteur: Mr. Timothy Pearson

Other members: Gian Claudio Faussone, Juan Chang, Mercedes García Madero, Raj Kumar Kapoor, Sudripta Roy

Group 3: Data requirements for application of methodologies

Moderator: Mr. Frank Werner

Rapporteur: Mr. Shailendra Kumar Singh

Other members: Akira Yamamoto, Moriz Vohrer, Yosuke Okimoto, Walter Oyhantcabal, Xiaoquan Zhang, Wojtek Galinski