

CDM-SSCWG43-A03

Information note

Graduation and expansion of positive list of technologies under small and micro scale additionality guidelines

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COVER NOTE

1. Procedural background

1. The Executive Board (hereafter referred to as the Board) of the clean development mechanism (CDM) at its sixty-eighth meeting requested the Small-Scale Working Group (SSC WG) to analyse options (e.g. penetration rate, time horizon) to objectively determine the graduation of the current positive list of technologies (i.e. point in time where a technology included in the positive list becomes matured and cost competitive and shall be no longer be defined as automatically additional).
2. In response to the request, the SSC WG at its 41st meeting, taking into account input from an external expert agreed to launch a call for public input on the “Information note - Questions for public inputs on expansion and framework for assessing graduation of the positive list of technologies” as contained in annex 11 of the 41st meeting of the SSC WG. Three inputs were received.¹

2. Purpose

3. The purpose of this information note is to inform the Board about the opinion of the SSC WG regarding expansion and framework for assessing graduation of the positive list of technologies and the revision of the small and micro scale additionality guidelines.

3. Key issues and proposed solutions

3.1. Graduation Criteria

4. There are various options such as investment/deployment costs of technology, cost of services, market penetration rate available to assess the graduation of the current positive list of technologies that are globally applicable. It is however difficult to propose a specific pre-defined criterion to assess the graduation of specific technologies from the positive list due to (a) uncertainties regarding the availability of up to date data; and (b) rapidly changing circumstances in global market.
5. Assessment of graduation of specific technologies from the positive list can be conducted at least once in three years from the date of its adoption using appropriate criteria at the time of evaluation based on expert judgement, linked to most up to date data available and market circumstances at that point in time, instead of predefined criteria for each specific technology.
6. DNAs may be allowed to submit technologies for its inclusion in country specific positive list by expanding the scope of the procedure “Submission and consideration of microscale renewable energy technologies for automatic additionality”

¹ See: <http://cdm.unfccc.int/public_inputs/public_inputs/2013/sscwg41_a11/index.html>.

3.2. Revision of small-scale/microscale additionality guidelines

7. Approved large scale methodology “AM0113: Distribution of compact fluorescent lamps (CFL) and light-emitting diode (LED) lamps to households” has specific criteria for the simplified additionality check for technologies that may be rapidly expanding in some regions. In order to have a consistent approach, additionality check of similar technologies shall be included in specific small scale methodologies covering CFLs and exclude them from the current globally applicable positive list from “Guidelines on the demonstration of additionality of small-scale project activities” (small scale additionality guidelines).

4. Impacts

8. The graduation metrics would improve the objectivity in the demonstration of automatic additionality and enhance the environmental integrity of the positive list. The expansion of the positive list would further facilitate scaling up of the projects in underrepresented countries/regions, LDCs/SIDs in particular.

5. Subsequent work and timelines

9. After receiving mandate from the Board, the SSC WG at its 44th meeting will continue to revise the guidelines on:
 - (a) Demonstration of additionality of small-scale project activities;
 - (b) Demonstration of additionality of microscale project activities;
 - (c) Developing a procedure for submission and consideration of country-specific positive list of technologies.

6. Recommendations to the Board

10. The SSC WG recommends that the Board considers the recommendation provided in this information note regarding the graduation criteria and the revision of guidelines related to small and micro scale projects and accordingly provide mandate to the SSC WG.

7. References

- (a) Public input on “Information note - Questions for public inputs on expansion and framework for assessing graduation of the positive list of technologies” available at:
<http://cdm.unfccc.int/public_inputs/public_inputs/2013/sscwg41_a11/index.html>;
- (b) Guidelines on demonstration of additionality of microscale project activities available at: <<http://cdm.unfccc.int/Reference/Guidclarif/index.html#meth>>;
- (c) Guidelines on the demonstration of additionality of small-scale project activities available at: <<http://cdm.unfccc.int/Reference/Guidclarif/index.html#meth>>;
- (d) Draft decision CMP/8 (paragraph 31). Available at:
<<http://unfccc.int/resource/docs/2012/cmp8/eng/13a02.pdf#page=7>>;

- (e) EB 68 request (paragraph 108). Available at:
<http://cdm.unfccc.int/EB/archives/meetings_12.html#68>;
- (f) Annex 12 and 13 of the annotations to the agenda of the sixty-eighth meeting of the Board, namely “Draft guidelines on the demonstration of additionality of small-scale project activities” and “Information note on the extension of simplified modalities for the demonstration of additionality of small-scale CDM project activities” respectively. Available at:
<<http://cdm.unfccc.int/Meetings/MeetingInfo/DB/Y5JBDO6K1WSUC29/view>>;
- (g) Annex 6 of the thirty-third meeting report of the SSC WG, document entitled “Information Note on Guidelines for the demonstration of additionality of microscale project activities”. Available at:
<http://cdm.unfccc.int/Panels/ssc_wg/meetings/033/ssc_033_an06.pdf>.

TABLE OF CONTENTS	Page
1. INTRODUCTION	6
2. KEY ISSUES AND PROPOSED SOLUTIONS	6
2.1. Graduation Criteria	6
2.2. Revision of small-scale/microscale additionality guidelines	8
3. RECOMMENDATIONS TO THE BOARD	9

1. Introduction

1. Demonstration of additionality in an objective manner has been recognized as the one of the most important aspects for the credibility of issued CERs for a clean development mechanism (CDM) project. It has also proved to be one of the most resource intensive aspects of a CDM project, impacting type and regions that can be covered under the CDM. Therefore simplification of rules while providing objectivity pertaining to additionality demonstration, in particular for small-scale CDM projects, continues to be of great relevance for CDM.
2. The Executive Board (hereafter referred to as the Board) at its sixty-eighth meeting requested the Small-Scale Working Group (SSC WG) to analyse options (e.g. penetration rate, time horizon) to objectively determine the graduation of the current positive list of technologies (i.e. point in time when they are become matured and cost competitive and shall be no longer defined automatically additional).
3. CMP 8, paragraph 31 encouraged the Board to further extend the simplified modalities for the demonstration of additionality, including positive lists, to a wider scope of small-scale project activities, while ensuring environmental integrity.
4. In response to the request, the SSC WG 41, taking into account input from an external expert agreed to launch a call for public input on the “Information note - Questions for public inputs on expansion and framework for assessing graduation of the positive list of technologies” as contained in annex 11 of the 41st meeting of the SSC WG. Three inputs were received.²
5. The SSC WG also initiated the revision of the “Guidelines on demonstrating additionality of microscale project activities” (hereafter referred as microscale additionality guidelines) and “Guidelines on the demonstration of additionality of small-scale project activities” (hereafter referred as small-scale additionality guidelines) to further clarify terms such as “isolated units”, “independent subsystems/measures”, “communities”, “off-grid project activity” and “distributed energy generation” across these guidelines taking into account past clarifications issued by the Board.
6. CMP 9, paragraph 14 reiterates its request to the Board to examine alternative approaches to the demonstration and assessment of additionality.

2. Key issues and proposed solutions

2.1. Graduation Criteria

7. In response to the request from the Board, the SSC WG, taking into account expert and public input, explored various options to determine the graduation of the current positive list of technologies (i.e. point in time when they become mature and cost competitive and shall no longer be defined as automatically additional). The options considered were in general:
 - (a) Investment/deployment costs of technology;

² See: <http://cdm.unfccc.int/public_inputs/public_inputs/2013/sscwg41_a11/index.html>.

- (b) Cost of services (e.g. levelized cost of electricity production);
 - (c) Market penetration rate;
 - (d) Time horizon related to operational experiences of technology.
8. The currently approved positive list is globally applicable (i.e. global positive list). This list was derived through the combination of approaches mentioned above using publicly available data. For example: (a) 20 per cent threshold is used for rural electrification penetration rate as a proxy to barriers against deployment of renewable energy technologies in rural areas coupled with high upfront cost (e.g. capital costs of equipment together with CDM transaction costs) of technologies at least three times higher as compared to alternative technologies and (b) levelized cost of generation was used for grid connected emerging renewable energy technologies (i.e. offshore wind, solar PV, tidal, wave that exhibit higher energy cost compared to alternative fossil fuel technologies until 2015).³
9. The SSC WG is of the view that it will be difficult to propose a specific criterion to determine the graduation of specific technologies from the positive list due to uncertainties regarding the availability of up to date data. Also, it may be difficult to establish a pre-defined criterion that may be valid for future due to rapidly changing circumstances in global market. For example, household energy efficiency technology has been introduced in the positive list based on its the cost criteria, however few years later, detailed country-specific data on market penetration rates of this technology may be available without information on cost. This will then require changing the graduation criteria of that particular technology from cost basis to market penetration rate.
10. The SSC WG recommends that the graduation of the positive list shall be assessed using appropriate criteria (one or the combination of the options mentioned under paragraph 7 above) at the time of evaluation based on expert judgement, linked to most up to date data available, instead of predefined criteria for each specific technology. The SSC WG further recommends that the assessment of technology under the positive list be conducted at least once in three years from the date of its adoption. This will allow greater flexibility to the SSC WG, to assess the positive list as and when new information is available, bearing in mind that any changes do not impact registered CDM projects using positive list.
11. The SSC WG recommends retaining the current positive list of technologies until the end of 2015, except for the compact fluorescent lamps (CFLs) technologies. Apart from the CFL, no other information (e.g. data, published literatures) on circumstantial changes to the technologies are found to consider them graduating from the positive list. Furthermore, the current positive list is reassessed in early 2015. In this process, the SSC WG may propose a list of technologies that may be deemed as graduated from the positive list for approval by the Board.
12. The SSC WG concluded, taking into account the public and expert inputs, that the potential of expanding the global positive list of technologies would be limited since its establishment and graduation metrics would require a detailed analysis of national

³ The various criteria that were used to derive a positive list are explained in detail in annex 12 and 13 of the annotations to the agenda of the sixty-eighth meeting of the Board. See: <<http://cdm.unfccc.int/Meetings/MeetingInfo/DB/Y5JBDO6K1WSUC29/view>>.

circumstances, while fully accounting for cost/barriers/penetration factors including data gathering at national/regional level. This is a resource intensive activity and where availability of data and its quality may be questionable. The SSC WG, taking into account country specific nature of technology penetration, is of the view that designated national authorities (DNAs) are best placed to identify country specific positive list of technologies that they can submit to the Board for approval.

13. Currently, the approved procedure “Submission and consideration of microscale renewable energy technologies for automatic additionality”⁴ allows DNAs for the submission of grid connected microscale renewable energy technologies for consideration by the Board to be qualified as conferring automatic additionality provided that criteria in the guidelines are met (e.g. the ratio of installed capacity of the specific grid connected renewable energy technology in the total installed grid connected power generation capacity in the host country shall be equal to or less than three per cent). The procedure also sets validity up to 3 years from the date of approval of the submission by the Board with possibility to renew the validity of the approved technologies by DNAs.
14. The SSC WG recommends that Board may consider expanding the scope of this procedure where the DNAs may propose technologies for its inclusion in country specific positive list based on local market and cost considerations.

2.2. Revision of small-scale/microscale additionality guidelines

15. The SSC WG noted that EB 76 approved the large scale methodology “AM0113: Distribution of compact fluorescent lamps (CFL) and light-emitting diode (LED) lamps to households” which has specific criteria (developed based on recent information) for the simplified additionality check for technologies that may be rapidly expanding in some regions. For example, project activities implementing CFLs are deemed automatically additional in countries which have no or only limited lighting efficiency regulations, according to the ‘Efficient Lighting Policy Status Map’ developed by UNEP’s en.lighten initiative.
16. In order to have consistent approach for additionality check of similar technologies, the SSC WG recommends the Board may consider excluding CFLs from the current positive list but to include guidance in specific methodologies covering CFLs taking into account the guidance in AM0113 mentioned above.
17. The SSC WG agreed to conduct further analysis to expand the positive list of technologies in the areas of resource recovery and re-use (waste water, landfill gas recovery) taking into account the inputs received from call for public input.⁵
18. Taking into account requests for clarification and public comments received in the past, the SSC WG agreed⁶ to further clarify the following terms used in the small-scale additionality guidelines and the microscale additionality guidelines in the form of revision of these guidelines at a future meeting:

⁴ Available at: <http://cdm.unfccc.int/Reference/Procedures/methSSC_proc04.pdf>.

⁵ See: <http://cdm.unfccc.int/public_inputs/public_inputs/2013/sscw41_a11/index.html>.

⁶ Annex 2 to SSC WG 42 Internal report, available at:
<https://cdm.unfccc.int/extranet/SSC_WGextranet/SSC_Meetings/SSCWG42_annex2_Info>Note_Additionality_ver01.0.pdf>.

- (a) **Isolated units** - the term 'isolated units' will be replaced with 'units' and accordingly revise paragraph 2(c) of the small-scale additionality guidelines to be applicable for type-II and type-III project activities. For type-I project activities it will be limited to renewable based thermal and mechanical energy production (e.g. solar cooker, solar water heater, water pumping). Also, examples of 'units' that are covered under type-II and type-III will be provided;
- (b) **Independent subsystems/measures** - the term 'independent subsystems/measures' under paragraphs 8(c), 9(b) and 10(b) of the microscale additionality guidelines will be replaced with 'technology/measures' to avoid the confusion;
- (c) **SMEs** - the SSC WG agreed not to recommend defining this term because of the heterogeneity of the definitions used by different counties/regions;
- (d) **Communities** - will refer now to 'rural communities' of households sharing same project services such as electricity for lighting (interior, public street lighting), community buildings (such as schools, health centres, etc.) and agricultural water pumps. The change will be reflected under paragraphs 2(c) of the small-scale additionality guidelines and paragraphs 8(b), 8(c), 9(b) and 10(b) of the microscale additionality guidelines;
- (e) **Off-grid project activity** - will be defined as a project activity which meets one of the following:
 - (i) No connection to national/regional connection;
 - (ii) Connection to mini grid which is a small-scale power system with a total capacity with equal to or less than 15 MW (i.e. the sum of installed capacities of all generators connected to the mini grid is equal to or less than 15 MW) and is not connected to a national or a regional grid;
 - (iii) Grid availability for less than 12 hours per 24 hours;
- (f) **Distributed energy generation (not connected to national/regional grid)** - will be replaced with 'off-grid project activity' under paragraph 8(c) of the microscale additionality guidelines.

3. Recommendations to the Board

19. The SSC WG recommends that the Board:

- (a) Retain the current positive list of technologies and reassess it in early 2015. Thereafter, the positive list should be assessed at least once every three years from the date of adoption of the technology in the list;
- (b) Provide a mandate to develop guidelines and procedure for submission and consideration of country-specific positive list of technologies;
- (c) Provide a mandate to the SSC WG to revise the "Guidelines on the demonstration of additionality of small-scale project activities" to update the positive list of technologies and to include the revised definitions of the terms mentioned under paragraph 18 above;

- (d) Provide a mandate to the SSC WG to revise the “Guidelines on demonstrating additionality of microscale project activities” to include the revised definitions of the terms mentioned under paragraph 18 above.

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Document information

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