

REPORT OF THE FIFTEENTH MEETING OF THE METHODOLOGIES PANEL

UNFCCC Headquarters, Bonn, Germany

1-8 April 2005

I. RECOMMENDATIONS BY THE METHODOLOGIES PANEL TO THE EXECUTIVE BOARD

A. Consideration of proposed new methodologies

1. The Methodologies Panel (Meth Panel) considered the following proposed new methodologies:

NM0020-rev2: La Vuelta and La Herradura Hydroelectric Project
NM0031-rev2: OSIL - 10 MW Waste Heat Recovery Based Captive Power Project
NM0041-rev2: Khorat Waste to Energy Project, Thailand
NM0040: Replacement of Fossil Fuel by Palm Kernel Shell Biomass in the production of Portland Cement
NM0045-rev2: Birla Corporation Limited: CDM project for "Optimal Utilization of Clinker
NM0047-rev: Indocement's Sustainable Cement Production Project - Blended Cement Component
NM0048-rev: Indocement's Sustainable Cement Production Project - Alternative Fuel Component
NM0050-rev: Ratchasima Small Power Producer (SPP) Expansion Project
NM0066 Coalmine Methane Utilization Project at Nanshan Mine, China
NM0068: GHG emission reductions at ALUAR Aluminio Argentino
NM0070: Conversion of existing open cycle gas turbine to combined cycle operation at Guaracachi power station, Santa Cruz, Bolivia
NM0071 BOF Gas recovery at Jindal Vijayanagar Steel Limited (JVSL) and combustion for power generation and supply to Karnataka Grid, India
NM0072: Mandatory Energy-Efficiency Standard for Room Air Conditioners in Ghana
NM0075 Pansan coal mine methane utilisation and destruction
NM0076 Chile: Chacabuquito 26 MW Run-of-River Hydropower Project
NM0077: Shell Fuel Switching and Cogeneration Project
NM0078: Conversion of single-cycle to combined cycle power generation in Ghana
NM0079 Taishan Huafeng Cement Works Waste Heat Recovery and Utilisation for Power Generation Project
NM0080: Natural gas based grid connected major combined cycle power generation project for Torrent Power Generation Limited at Akhakhhol Gujarat
NM0082: Khon Kaen fuel ethanol project
NM0084: Natural Gas-Fired Cogeneration Plant Replacing Oil-Fired Boilers
NM0085: Vinasse Anaerobic Treatment Project - Compañía Licorera de Nicaragua, S. A. (CLNSA)
NM0086: Petromex Energy Integration Project
NM0087: Shri Bajrang WHR CDM Project
NM0088: Jorf Lasfar heat recovery enhancement for power project
NM0089: CECL's Natural Gas based Engine Fired Captive Power Plant in Tamilnadu, India
NM0090: Organic Waste Composting at the Matuail landfill site Dhaka, Bangladesh
NM0091: Leak Reduction From Natural Gas Pipeline Compressor and Gate Stations
NM0092: Transalloys Manganese Alloy Smelter Upgrade and Energy Efficiency Project in South Africa
NM0093: Fuxin Coal Mine Methane (CMM)/Coal Bed Methane (CBM) Utilization Project
NM0094: Huainan Panyi and Xieqiao Coal Mine Methane Utilization Project
NM0095: ACC New Wadi Blended Cement Project

2. After considering the proposed new methodologies as well as desk reviews, public inputs received, the Meth Panel:

(a) Agreed on the final recommendations on proposals (NM0020-rev2, NM0031-rev2, NM0041-rev2, NM0050-rev, NM0068, NM0071, NM0076, NM0077, NM0079, NM0084, NM0085,

NM0086, NM0087, NM0089) for the consideration of the Executive Board at its nineteenth meeting. Final recommendations will be made available in the UNFCCC CDM web site:

<http://cdm.unfccc.int/methodologies/PAmethodologies/publicview.html>. In particular the Meth Panel:

- (i) Recommended the approval of proposals NM0031-rev2 and NM0041-rev2 and agreed on reformatted versions of these methodologies as contained in annexes 1 and 2 to this report;
- (ii) Recommended that methodology NM0085 should be consolidated with revision of the approved methodology AM0013 as contained in annex 3 of this report (please refer to section B. below);
- (iii) Recommended that methodology NM0050-rev should be incorporated in the methodology for grid-connected electricity generation from biomass project activities referred to in section B. below;
- (iv) Recommended the revision of proposals NM0076 and NM0079;
- (v) Recommended to not approve NM0020-rev2, NM0068, NM0071, NM0077, , NM0084, NM0086, NM0087 and NM0089.

(b) Agreed on the preliminary recommendations on proposals NM0070, NM0072, NM0078, NM0080, NM0082, NM0088, NM0090, NM0091 and NM0092. In accordance with the procedures for submission and consideration of a proposed new methodology, project participants would have the opportunity to provide technical clarifications on these preliminary recommendations. Preliminary recommendations for which project participants do not provide any clarification within the ten-day consultation period will be made available in the UNFCCC CDM web site:

<http://cdm.unfccc.int/methodologies/PAmethodologies/publicview.html>.

3. The Meth Panel acknowledges that methodologies NM0045-rev2, NM0047-rev and NM0095 have similar scope and applicability and recommends that these methodologies are reformatted in a single consolidated methodology. If the Board agrees with the consolidation of these methodologies the Meth Panel will consider a proposal for consolidation at its sixteenth meeting with a view to preparing a final recommendation to the Board.

4. The Meth Panel recognized that additional expertise would be necessary for further analysis of the cases NM0066, NM0075, NM0093 and NM0094. The Meth Panel agreed to request that a consultant prepares some technical input on these cases with a view to preparing a recommendation on this proposal at its sixteenth meeting.

5. As agreed by the Board, in order to ensure consistency, the two approved baseline and monitoring methodologies NM0040 and NM0048 have been consolidated into one document as they had similar applicability and similar methodological steps. The Meth Panel agreed on the reformatted version of these methodologies as included in annex 4 of this report.

B. Revisions of approved methodologies

Consolidated methodology for grid-connected electricity generation from biomass project activities

6. In order to ensure consistency in the treatment of biomass, the Meth Panel considered a draft consolidated methodology for grid-connected electricity generation from biomass project activities. The methodology consolidates the approved methodologies AM0004, AM0015 and the proposed new methodologies NM0081 and NM0050-rev. In accordance with the guidance provided by the Executive Board at its eighteenth meeting methodology AM0004 should be replaced by the consolidated methodology once approved by the Board. The Panel agreed however that more work will be required to ensure a sound consolidation. Initial review has identified some potential inconsistencies that need to be

resolved, related to applicability conditions, identification of baseline scenario, and the particular circumstances where some agro-industrial residues might otherwise be used for energy purposes. Resolution of these issues is expected by sixteenth meeting of the Meth Panel.

AM0001: Incineration of HFC 23 waste streams

7. In accordance with the request by the Board the Meth Panel considered the definition of production capacity of HCFC 22 facilities, developed in the context of the Montreal Protocol and further revised approved baseline and monitoring methodologies AM0001.
8. The Meth Panel wishes to thank the secretariat of the United Nations Multilateral Fund for implementation of the Montreal Protocol (UNMFS) and others for technical communications regarding the definition of term “existing production capacity” for HCFC/CFC production as used in AM0001.
9. The Meth Panel recognizes that some confusion has resulted from use of the use term “existing production capacity” in the methodology, which more accurately should have been defined as “maximum historical annual production levels”, since it refers to the levels of actual production rather than theoretical production capacity. The rationale for use of historical production levels, rather than production capacity, as noted in previous decisions, is to avoid the perverse incentive to increase future HCFC 22 production levels purely in order to gain the financial benefit of CERs from HFC 23 destruction. As noted previously, the financial gain from CERs from HFC 23 destruction could be higher than the cost of added HCFC production.
10. The Meth Panel recognizes that future HCFC 22 production levels could also rise in the future in response to increasing HCFC 22 demands. However, it is not aware of a reliable means to identify which is the predominant reason for any future increases in HCFC 22 production, and only the latter would provide a justifiable reason to award additional CERs. Therefore, the Meth Panel recommends that the current methodology definition be retained, but the terms be more accurately labeled as noted above.
11. A revised version of methodology AM0001 with changes highlighted is contained in annex 5 to this report to be considered by the Executive Board at its nineteenth meeting.

Incorporation of operating margin method from NM00051 in ACM0002: Consolidated baseline methodology for grid-connected electricity generation from renewable sources

12. The Meth Panel thanks the project participants for their further inputs on methodology NM0051-rev (PCH Passo do Meio). Based on these further inputs and revisions to the methodology, the Meth Panel finds that the proposed procedure to calculate the operating margin (OM) for assessing emissions reductions in hydro-dominated electricity grids lacks sufficient rigor and lacks conservatism.
13. Although the Meth Panel had previously recommended that this proposed procedure could be included in ACM0002, after consideration of further information provided by the project participants and analysis as stated above, the Panel concluded that this procedure should not be included to ACM0002 for the time being.

AM00013: Forced methane extraction from organic waste-water treatment plants for grid-connected electricity supply

14. In accordance with the request of the Executive Board, the Meth Panel has revised the approved baseline and monitoring methodologies AM0013, in order to include the impact of uncertainties related to factors used on baseline emission calculation (Maximum Methane Producing Capacity B_0 and Methane Conversion Factor, MCF), and to include additional requirements to present applicability conditions to ensure the open lagoon anaerobic condition. i.e. minimum temperature of 15°C and 1m sediment depth, in accordance with the Revised 1996 IPCC Guidelines for National Greenhouse Gas Inventories (Chap.6).
15. AM0013 has also been revised in order to consolidate elements from NM0085.

16. The Meth Panel agreed to the revisions included in annex 3 of this report to be considered by the Executive Board at its nineteenth meeting.

AM0009: Recovery and utilization of gas from oil wells that would otherwise be flared

17. The Meth Panel considered the approved methodology AM0009 and agreed on the revision of this methodology included in annex 6 of this report to be considered by the Executive Board at its nineteenth meeting.

C. Consistency amongst approved methodologies

18. The Meth Panel has considered an initial review of approved methodologies so far. The Meth Panel noted that the process of learning by doing has shown consistency on the broad structural level. Detailed cross-cutting analysis has shown that there are opportunities for improving consistency for new submissions. The Meth Panel agreed to further discuss this matter at its next meeting and prepare some detailed recommendations to the Board.

D. Process of consideration and approval of proposed new methodologies

19. In order to have consistency in the reformatting of approved baseline and monitoring methodologies and to facilitate the presentation of proposed new methodologies, the Meth Panel agreed to revise the forms PDD-NMB and PDD-NMM and its guidelines and consider them at its sixteenth meeting, with a view to provide a recommendation to the Executive Board at its twentieth meeting.

E. Additionality assessment and baseline calculations for project activities asking for retroactive credits

20. The Meth Panel has considered the issue of how should a project activity requesting for retroactive credits assess its additionality and calculate the baseline emissions. The Meth Panel recommends that:

(a) For assessing additionality the information available by the time of the decision to undertake the project activity shall be considered;

(b) For calculation of baseline emissions the most recent information, for the vintage of data appropriate to the project, available at the validation stage shall be used.

F. Renewal of crediting period

21. In response to the request by the Board, the Meth Panel continued considering the procedures and documentation which need to be used for the renewal of a crediting period and agreed to continue the discussions at its sixteenth meeting.

G. National policies

22. The Meth Panel agreed that it will continue discussions on national policies at its sixteenth meeting with a view to making a final proposal to the Board at its twentieth meeting.

H. Policy-type CDM project activities

23. The Meth Panel would like to highlight some issues raised by its analysis of methodology NM0072 (Mandatory Energy-Efficiency Standard for Room Air Conditioners in Ghana). This methodology has been developed to quantify the emission benefits of developing and implementing mandatory national-level appliance standards as a CDM project activity. The proposed methodology compares the baseline (the amount of energy which appliances would have consumed without the standard) to the post-standard average efficiency rating of the appliance. The resulting energy savings

would then be “translated” to CO₂ savings. The Meth Panel also notes that other policy-level methodologies have also been developed and recently submitted to the Board for methodology review.

24. The Meth Panel requests guidance from the Board on whether local/national/regional policy development and/or implementation can be eligible under the CDM.

25. If so, the Meth Panel also requests guidance from the Board on:

(a) Whether projects aiming to enforce existing policies/standards/regulations already enacted but not currently enforced would also be eligible under the CDM;

(b) Whether potential projects enacting and enforcing new policies/standards/regulations would be eligible under the CDM and in which sectors. Potential examples could include:

- (i) Industry (e.g. standards outlining acceptable proportions of additives in blended cement, motor efficiency standards);
- (ii) Residential/commercial (e.g. minimum appliance or building efficiency standards);
- (iii) Transport (e.g. the proportion of bio-fuels blended with gasoline/diesel);
- (iv) Electricity generation (e.g. development of renewable portfolio standards etc);
- (v) Waste management (e.g. mandatory collection and destruction of landfill gas).

(c) Whether potential projects only enacting standards/regulations/policies would be eligible under the CDM and in which sectors.

I. Hydro projects

26. The Meth Panel continued considering the possibility of revising the applicability of hydro-power project activities at its sixteenth meeting. The Meth Panel is still considering the possibility of applying a threshold of 10 watts of capacity per square meter of reservoir maximum flooded surface area using data from Brazil and now is in the process of incorporating data from hydro projects from other countries as well so as to check the robustness of this threshold to different conditions.

J. Schedule of meetings

27. The Meth Panel agreed to hold its sixteenth meeting from 14 to 17 June 2005, preceded by informal meeting on 13 June and the seventeenth meeting tentatively from 6 to 7 September 2005.

K. Roster of experts

28. The Meth Panel noted the satisfactory completion of the desk reviews undertaken for proposed new methodologies considered at the meeting as well as the desk reviews considered for submissions submitted at round 9.
