

REPORT OF THE SIXTEENTH MEETING OF THE METHODOLOGIES PANEL

UNFCCC Headquarters, Bonn, Germany

14-17 June 2005

I. RECOMMENDATIONS BY THE METHODOLOGIES PANEL TO THE EXECUTIVE BOARD

A. Opening of the meeting and adoption of the agenda

1. The Chair of the Meth Panel, Mr. Jean Jacques Becker, welcomed the new members of the panel, Mr. Amr Osama Abdel-Aziz, Mr. Braulio Pikman, Mr. Ashok Sarkar, Mr. Lambert Richard Schneider, Mr. Christoph Sutter and Mr. Kenichiro Yamaguchi, selected by the Executive Board at its nineteenth meeting.

B. Consideration of proposed new methodologies

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

NM0045-rev2: Birla Corporation Limited: CDM project for "Optimal Utilization of Clinker"
NM0047-rev: Indocement Sustainable Cement Production Project - Blended Cement Component
NM0050-rev: Ratchasima Small Power Producer (SPP) Expansion Project
NM0066: Coalmine Methane Utilization Project at Nanshan Mine, China
NM0070: Conversion of existing open cycle gas turbine to combined cycle operation at Guaracachi power station, Santa Cruz, Bolivia
NM0071-rev: BOF Gas recovery at Jindal Vijayanagar Steel Limited (JVSL) and combustion for power generation and supply to Karnataka Grid, India
NM0072: Mandatory Energy-Efficiency Standards for Room Air Conditioners in Ghana
NM0075: Pansan coal mine methane utilisation and destruction
NM0076-rev: Chile: Chacabuquito 26 MW Run-of-River Hydropower Project
NM0078: Conversion of single-cycle to combined cycle power generation in Ghana
NM0079-rev: 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
NM0081: Trupán Biomass Power Plant Project in Chile
NM0090: Organic Waste Composting at the Matuail landfill site Dhaka, Bangladesh
NM0091: Leak Reduction From Natural Gas Pipeline Compressor and Gate Stations
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
NM0096: Energy Efficiency Improvements - Hou Ma District Heating, Shanxi Province, P.R.C.
NM0097: Improvement in recovery of black liquor solids through Oxygen-Delignification and Free Flow Falling Film Evaporator and its use for steam generation in Soda Recovery Boiler
NM0098: Nobrecel Fossil-to-Biomass Fuel Switch Project in Brazil
NM0099: Energy Efficiency Improvement in a Cement Plant at Jaypee Associates (Cement), Madhya Pradesh, India
NM0100: Electric motor replacement program in Mexico
NM0101: Grasim baseline methodology for the energy efficiency improvement in the heat conversion and heat transfer equipment system B
NM0102: China Jincheng Coal Mine Methane Power Generation Project
NM0103: Andijan District Heating Project
NM0104: V&M do Brasil Renewable Reducing Agent Project
NM0106: Optimisation of clinker use in the Ramla Cement Plant in Israel through investment in grinding technology
NM0107: Waste Gas-based cogeneration system for power & steam generation

NM0108: Biodiesel production and switching fossil fuels from petro-diesel to biodiesel in transport sector - 30 TPD Biodiesel CDM Project in Andhra Pradesh, India
NM0109: Sunflower Methyl-Ester Biodiesel Project in Thailand
NM0110: Mitigation of Methane Emissions in the Charcoal Production of Plantar, Brazil
NM0112: Increased electricity generation from existing hydropower stations through Decision Support System optimization
NM0113: Mondi Gas Turbine Co-generation in Richards Bay, South Africa
NM0114: Improved Efficiency of Electrical Power System Generation through Advanced SCADA Control Systems and Related Energy Management Protocol
NM0115: CO ₂ , electricity and steam from renewable sources in the production of inorganic compounds

3. The Meth Panel noted the particularly large number of methodologies considered at this meeting. Taking into account additional mandates from the Board to the panel to prepare recommendations on various cross cutting issues the panel was unable to finalize all work initially planned.

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

(a) Agreed on the final recommendations on proposals NM0070, NM0071-rev, NM0078, NM0080, NM0090, NM0091, NM0096, NM0097, NM0099, NM0100, NM0101, NM0103, NM0104, NM0106, NM0109 and NM00114 for the consideration of the Executive Board at its twentieth 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 NM0090 and NM0091. A reformatted version of NM0091 is contained in annex 1 to this report. The reformatted version of NM0090 shall be considered by the Panel at its seventeenth meeting;
- (ii) Recommended to incorporate the new submitted proposal NM0106 into the consolidated methodology on blended cement that is being prepared by the Meth Panel (see paragraph 6 below);
- (iii) Recommended the revision of proposals NM0070, NM0078 and NM0080;
- (iv) Recommended to not approve NM0071-rev, NM0096, NM0097, NM0099, NM0100, NM0101, NM0103, NM0104, NM0109 and NM0114.

(b) Agreed on preliminary recommendations on proposals NM0076-rev, NM0079-rev, NM0098, NM0107, NM0108, NM0110, NM0112, NM0113 and NM0115. 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>.

5. As requested by the Board at its nineteenth meeting, the Meth Panel further recommends that methodology NM0031-rev2, NM0087 and NM0088 should be incorporated in a consolidated methodology for waste gas and/or heat for power generation as contained in annex 2 of this report. The Meth Panel agreed not to incorporate the proposed methodology NM0107 in this consolidated methodology because the treatment of the steam production would add unnecessary complexity to the current methodology.

6. The Meth Panel also agreed on a draft consolidated baseline and monitoring methodology based on AM0004, AM0015, NM0050 and NM0081 for grid-connected electricity and/or heat generation from

biomass residues as contained in annex 3 to this report. The Meth Panel intends to amend this consolidated methodology, at its next meeting, in order to make it more broadly applicable, including project activities that increase the energy efficiency of power generation with biomass in existing plants.

7. The Meth Panel further agreed to incorporate the cases NM0045-rev2, NM0047-rev and NM0095 for incorporation of a consolidated methodology on blended cement. The Meth Panel agreed to also include in this consolidation the newly submitted proposal NM0106 as it has a similar applicability. The Meth Panel recognized that further analysis was needed before the work on the consolidation could be finalized. It agreed to continue its work at its next meeting with a view to preparing a final recommendation to for the consideration of the Board at its twenty-first meeting.

8. The Meth Panel recognized that additional expertise related to work on the consolidation of practices regarding coal mine methane and coal bed methane would be necessary for further analysis of the cases NM0066, NM0075, NM0093 and NM0094. The Meth Panel agreed to include in this analysis the newly submitted proposal NM0102, as it has similar applicability. The Meth Panel agreed to request further technical input on these cases with a view to prepare a recommendation on this issue at its seventeenth meeting.

9. The Meth Panel highlighted at its last meeting some issues raised by its analysis of methodology NM0072 (Mandatory Energy-Efficiency Standard for Room Air Conditioners in Ghana) and requested guidance from the Executive Board on whether local/national/regional policy development and/or implementation can be eligible as CDM project activities. The Meth Panel will further consider the case once such guidance is provided.

10. The Meth Panel noted that the cases NM0105 and NM0111 could not be considered at this meeting. This was due to a lack of availability of expert reviewers with the required experience. The Meth Panel will consider these cases at its next meeting.

C. Revisions of approved methodologies

AM0015: Bagasse-based cogeneration connected to an electricity grid

11. In working on the consolidated methodology for biomass power generation, the Meth Panel identified a number of problems related to AM0015:

(a) The applicability conditions are broader than the scope of the existing methodology. It could be interpreted to include project activities, such as the improvement of energy efficiency or the replacement of existing plants, for which other procedures to calculate emission reductions would be required.

(b) The consideration of leakage effects due to diversion of biomass from other plants to the project plant as a result of the project activity are not sufficiently addressed.

(c) Given the multiple possible baseline scenarios in the case of bagasse project activities, the methodology lacks a sufficient approach to identify the most likely baseline scenario.

12. The Meth Panel therefore recommends replacing AM0015 by the consolidated baseline and monitoring methodology for grid-connected electricity and/or heat generation from biomass residues once the Meth Panel has finalized its work to expand the scope of this consolidated methodology (please refer to paragraph 6 above).

AM0017: Steam system efficiency improvements by replacing steam traps and returning condensate

13. The Meth Panel agreed to the revisions included in annex 4 of this report to be considered by the Executive Board at its twentieth meeting.

AM0022: Avoided Wastewater and On-site Energy Use Emissions in the Industrial Sector

14. A revised version of methodology AM0022 with changes highlighted is contained in annex 5 to this report to be considered by the Executive Board at its twentieth meeting.

D. Consistency amongst approved methodologies

15. The Meth Panel further considered the 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 seventeenth meeting and prepare some detailed recommendations to the Board at its twenty-first meeting.

E. Process of consideration and approval of proposed new methodologies

16. As requested by the Board at its nineteenth meeting, 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 the revision of the form CDM-NMB and its guidelines for consideration of the Board at its twentieth meeting, as contained in annex 6 of this report. The panel agreed that a revision to the form CDM-NMM may be required depending on the outcome of the analysis of the conditions of use of measurement instruments in the monitoring (please refer to section J.).

17. Responding to the request by the Board, at its nineteenth meeting, to revise its recommendation form so that succinct information for the consideration of the Board is also available, the Meth Panel agreed on a summary recommendation form "F-CDM-NMSUMmp", as contained in annex 7 of this report, to be filled by the panel in addition to the standard recommendation form "F-CDM-NMmp". This form is to provide to the Board succinct information in a standardized and summarized manner on each case.

F. Process for pre-screening proposed new methodologies

18. The Meth Panel agreed on revised criteria to be used in the screening process to assess proposed new methodologies in accordance with paragraph 6 of the procedures for submission and consideration of proposed new methodologies and agreed to the revision to the pre-assessment form "F-CDM-Nmas (version 3)" as contained in annex 8 of this report.

19. The Meth Panel considered that it will take half a day in order to make a thorough pre-screening of a proposed new baseline and monitoring methodology and requests to the Executive Board that the Meth Panel member making a pre-assessment of a proposal should be paid half a day fee for this purpose.

G. Interaction with Designated Operational Entities

20. As requested by the Board, at its nineteenth meeting, the Meth Panel held a meeting with representatives of Designated Operational Entities (DOEs) on Monday, 13 June 2005, to discuss the application of approved methodologies. The Meth Panel appreciated the opportunity for interaction with the DOEs. The Chair of the Meth Panel will brief the Board, at its twentieth meeting, on the outcomes of this meeting.

21. As a result of this meeting, the Meth Panel developed procedures for submission of queries on approved methodologies from DOEs to the Meth Panel, as contained in annex 9. These procedures include the submission form "F-CDM-NMDOEq" to be used by DOEs and the recommendation form "F-CDM-NMDOErec" to be used by the Meth Panel to answer these queries.

H. Baseline calculations for project activities asking for retroactive credits

22. As requested by the Board, at its nineteenth meeting, the Meth Panel has considered the type of information to be considered in the calculation of baseline emissions, when a project activity is requesting retroactive credits.

23. The Meth Panel recommends that 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. When ex ante or ex post options are allowed, the ex post option should be selected. For the cases where the methodology establishes that the lower value among ex ante and post must be used, the prescription of the methodology must be followed. When the option (ex ante or ex post) is explicitly established in the methodology, the prescription must be followed.¹

I. Renewal of crediting period

24. 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 that at the start of the second and third crediting period for a project activity, two issues need to be addressed – (i) assessing the continued validity of the baseline, and (ii) updating the baseline.

(i) Assessing the continued validity of the baseline:

25. The DOE shall verify whether the baseline chosen is still the most likely scenario, using approved methodology for the project activity.

26. The DOE shall verify whether the project activity still generates lower emissions than the revised project baseline. If the revised baseline emissions are lower than the project activity emissions the project is automatically non-additional and will not generate any emission reductions.

27. A change in regulations between two crediting periods has to be examined at the start of the new crediting period. If at the start of the project activity, the project activity was not mandated by regulations, but at the start of the second or third crediting period regulations are in place that enforce the practice or norms or technologies that are used by the project activity, the new regulation (formulated after the registration of the project activity) has to be examined to determine if it applies to existing plants or not. If the new regulation applies to existing projects the baseline has to be reviewed, and if the regulation is binding the baseline for the project activity should take this into account. This assessment will be done by the verifying DOE.

(ii) Updating the baseline:

28. For updating the baseline at the start of the second and third crediting period, there shall be no change in the methodology for the determining the baseline emissions, however, new data available will be used to revise the baseline emissions. For example, if the average of 3 most recent years data was used to determine the baseline emissions for the first crediting period, the baseline shall be updated using the average for 3 most recent years prior to the start of the subsequent crediting period.

29. In the case of baselines where emission factors are determined *ex ante* (and not updated during a crediting period), the baseline emissions factor would need to be updated for the subsequent crediting period. This would not be necessary for baselines which are constantly updated. In both cases, the CDM project activities are not included in the revised estimation of the baseline emissions.

¹ Approved methodologies that so far combine an ex-ante and ex-post approach include: AM0008, AM0013, AM0015, ACM0002.

30. Assess and incorporate the impact of new regulations on baseline emissions.

J. Conditions of use of measurement instruments in the monitoring

31. The Meth Panel considered the conditions of use of measurement instruments in the monitoring and agreed that further expertise is required. The Panel agreed that it will further consider this issue at its seventieth meeting with a view to provide a recommendation for consideration of the Board at its twenty-first meeting.

K. Treatment of biomass in project activities

32. The Meth Panel and the afforestation and reforestation working group (AR WG) had a joint discussion on definitions of biomass. The panel notes that due to time constraints, the discussions on issues relating to biomass were not concluded. In particular the Meth Panel will, at its seventeenth meeting, in collaboration with the AR WG and Small-Scale Working Group (SSC WG), further consider:

- (a) A definition of biomass that is used in a sustainable manner by a CDM project activity;
- (b) The treatment of references to “renewable” and “non renewable biomass” in the simplified methodologies for small-scale CDM project activities.

(i) Definition of biomass:

33. The Meth Panel recommends using the following definition of biomass when referring to biomass in relevant baseline and monitoring methodologies: Biomass means non-fossilized and biodegradable organic material originating from plants, animals and micro-organisms. This shall also include products, by-products, residues and waste from agriculture, forestry and related industries as well as the non-fossilized and biodegradable organic fractions of industrial and municipal wastes. Biomass also includes gases and liquids recovered from the decomposition of non-fossilized and biodegradable organic material. Of which, biomass residues are biomass by-products, residues and waste streams from agriculture, forestry and related industries.

(ii) Consideration of changes in carbon pools in other project activities than afforestation and reforestation project activities

34. The Meth Panel and the AR WG had an initial discussion on the consideration of changes in carbon pools due to CDM project activities. The Meth Panel continued to consider this issue and suggests the following general approach towards potential changes in carbon pools²:

(a) Where a project activity, which does not seek to obtain tCERs or ICERs from afforestation or reforestation project activities, may directly or indirectly results in a net decrease of carbon pools compared to what would occur in the absence of the project activity, such changes should be taken into account in the calculation of emission reductions subtracting the corresponding quantities from emission reductions.

(b) Where a project activity, which does not seek to obtain tCERs or ICERs from afforestation or reforestation project activities, may directly or indirectly results in a net increase of carbon pools compared to what would occur in the absence of the project activity, this increase should not be taken into account in the calculation of emission reductions.

² When referring to carbon pools the Meth Panel refers to carbon pools as refined in the modalities and procedures for A&R activities under the CDM (paragraph 1).

(c) Where a project activity does seek to obtain tCERs or ICERs from afforestation or reforestation project activities, this activity should be treated as a separate project activity and shall fulfill the modalities and procedures for afforestation and reforestation activities under the CDM.

(d) When proposed new methodologies may have implications for carbon pools it is recommended that the AR WG would also be consulted with regards the validity of the methodology.

35. The Meth Panel seeks guidance from the Board whether it should follow this approach.

L. Weighting of the operating margin and the build margin in the “combined margin”

36. As requested by the Board, at its nineteenth meeting, the Meth Panel considered issues relating to the weighting of the operating margin (OM) and the build margin (BM) emission factor to calculate the baseline emission factors for project activities replacing electricity generation in the grid. The Panel agreed that further expertise is required. The Panel also agreed that it will further consider this issue at its seventeenth meeting with a view to prepare a recommendation to the Board.

M. Selection of baseline scenario

37. The Meth Panel has observed frequent cases of new submitted methodologies that address the baseline scenario determination by only referring to the tool for the demonstration and assessment of additionality. However, as already stressed by the Board, at its seventeenth meeting, the tool for the demonstration and assessment of additionality, as it stands, is not designed to determine the baseline scenario but to identify whether the project activity is the baseline scenario.

38. Nevertheless, the Meth Panel acknowledges that further work could be undertaken to prepare an optional tool to assist in selecting a baseline scenario from among a set of alternatives. Such a tool may facilitate the task of project developers in submitting proposed new methodologies.

N. National and regional policies

39. The Meth Panel agreed that it will continue discussions on national and regional policies at its seventeenth meeting with a view to making a final proposal to the Board at its twenty-first meeting.

O. Work on afforestation and reforestation

40. As requested by the Board at its eighteenth meeting, the Meth Panel selected Mr. Lambert Schneider to be the member of the Meth Panel to participate in the AR WG meetings.

P. Contact from project participants and their representatives

41. The Meth Panel notes that its members have on occasion been individually contacted by project proponents with methodology-specific questions or comments regarding cases under consideration. The Meth Panel would like to remind project participants that methodology-specific communications should be addressed to it via the DOE and the UNFCCC secretariat.

Q. Schedule of meetings

42. The Meth Panel agreed on a provisional schedule for its meetings in 2005 and first part of 2006, as contained in annex 10 to this report. These meetings may be preceded by a one-day informal meeting.

R. Roster of experts

43. 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 10.