

Issues with respect to the role of voluntary agreements and CDM

The Meth Panel in the process of review of the proposed new methodology NM0238 (Point of Use Abatement Device to Reduce SF6 emissions in LCD Manufacturing Operations) noted that the LCD¹ manufacturing companies, under the umbrella of World LCD Industry Cooperation Committee (WLICC), have agreed to voluntarily reduce their greenhouse gas emissions. On January, 20, 2003, WLICC issued a voluntary commitment to jointly limit PFC emissions to an agreed level by 2010. The agreement does not prescribe specific measures / allocations to implement the commitments.

In view of this information, the Meth Panel considered the situation where actions accepted by organizations under a voluntary commitment are submitted for registration as CDM project activity. Voluntary action affects the baseline and, hence, has implications for both the baseline emissions and additionality of project activity. In this context the panel also discussed the relevance of the Board's guidance on consideration of national and sectoral in establishing baselines.

The Meth Panel, therefore, would like to bring to the Board's attention the relevant factors which may be considered in assessing the role of voluntary agreements with respect to determination of baseline scenario, baseline emission and additionality, taking into account, inter alia, the following:

- The issue of free riders (i.e. when targets prescribed by regulations, policies etc, are not taken to be the baseline, mere compliance is deemed as additional) and perverse incentives (if targets prescribed by regulations, policies etc, that are beneficial to climate change are considered as baseline, this would be a disincentive for implementing such beneficial regulations / policies. Not implementing such policies would lead to greater GHG emissions in the world.);
- EB decision on national and sectoral policies (EB16 Annex 3 and EB22 Annex 3)²;
- The varying nature of voluntary agreements (from the purely voluntary to negotiated agreements, those without prejudice to CDM and those with an aim to utilize CDM);
- The provisions in existing recovery / destruction methodologies where regulations to reduce such greenhouse gases takes immediate effect, as is the case in approved methodologies that relate to destruction of high value GWP gases produced as by-product of production process, such as, AM0001 (HFC-23 destruction), AM0021, AM0028, AM0034, and AM0051 (N₂O destruction). It should also be noted that there are no such regulations to date, and other possibly relevant methodologies such as AM0065 does not include such provisions

¹ Liquid crystal display

² Policies and regulations are defined as those decided and published by local and/or national authorities of the host Party(ies). (EB16 footnote)

As a general principle, national and/or sectoral policies and circumstances are to be taken into account on the establishment of a baseline scenario, without creating perverse incentives that may impact host Parties' contributions to the ultimate objective of the Convention. (EB22 Annex 3 para 5)

National and/or sectoral policies or regulations under paragraph 6 (b) that have been implemented since the adoption by the COP of the CDM M&P (decision 17/CP.7, 11 November 2001) need not be taken into account in developing a baseline scenario (i.e. the baseline scenario could refer to a hypothetical situation without the national and/or sectoral policies or regulations being in place). (EB22 Annex 3 para 7b)