

**Annex 3****Recommendations by the methodologies panel to the executive board on national and/or sectoral policies and regulations (paragraph 45 (e) of the CDM Modalities and Procedures)**

1. The Meth Panel recommends to differentiate ways to address the following four (4) types of national and/or sectoral policies<sup>1</sup>:
  - (a) Type E+: Existing national and/or sectoral policies or regulations that creates policy driven market distortions which give comparative advantages to more emissions intensive technologies or fuels against less emissions intensive technologies or fuels.
  - (b) Type E-: national and/or sectoral policies or regulations that create positive comparative advantages to less emissions intensive technologies against more emissions intensive technologies (for instance: public subsidies to promote the diffusion of renewable energy, or to finance energy efficiency programs).
  - (c) Type L-: sectoral mandatory regulations taken by local or national public authorities motivated by the reduction of local negatives environmental externalities and/or energy conservation and which incidentally reduce GHG emissions.
  - (d) Type L+: sectoral mandatory regulations taken by local or national public authorities motivated by the reduction of local negatives environmental externalities and which incidentally prevent the adoption/diffusion of less emitting technology.
2. If at the validation stage “**Type E+**” Policies or Regulations are implemented, or are to be implemented during the crediting period, they may be taken into account when developing a baseline scenario.
3. If at the validation stage public authorities of a non-Annex I Party have decided to achieve part of the effort that is necessary for projects activities to adopt less emissions intensive technologies by implementing “**Type E –**” national and/or sectoral policies, a baseline methodology can aim at determining what would have occurred in the absence of both CDM and the considered national and/or sectoral E – policies.
4. Only “Type E-” national and/or sectoral policies that have been implemented since [the adoption by the COP of the CDM M&P (decision 17/CP.7, 11 November 2001)] [adoption of the Kyoto Protocol by the COP (decision 1/CP.3, 11 December 1997)] or less at the time the CDM activity is proposed for validation can be taken into account.

*(Note: The Meth Panel will continue to consider possible additional recommendations regarding L- and L+ policies and regulations.)*

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<sup>1</sup> In this recommendation the following terms are defined as:

- Policies and regulations: Are policies and regulations decided and published by local and/or national authorities of the host Party(ies).
- Policy driven market distortions: Are market distortions that result from decisions taken by local or national public authorities of the host Party(ies).