Annex 7

ADDITIONAL GUIDANCE ON METHODOLOGIES INVOLVING THE REPLACEMENT OR RETROFIT OF EXISTING EQUIPMENT OR FACILITIES

1. Where a project activity involves the replacement or retrofit of existing equipment or facilities, project participants should take into account, consistent with the guidance by the CDM Executive Board, at its eighth meeting,[1] regarding the treatment of "existing" and "newly built" facilities, that the existing equipment could have been replaced, retrofitted or modified in the absence of the project during the crediting periods. In this case, a baseline methodology should provide a methodological approach to assess whether the existing equipment would in the absence of the CDM be replaced and, if this is the case, to reflect this in the calculation of emission reductions the replacement, retrofit or modification of the equipment in the absence of the CDM.

2. For a number of project types, it is reasonable to assume that after replacement or retrofit of the existing equipment in the absence of the project activity, the emission level would be similar to that of that of the project activity.

3. In this case, emission reductions resulting from a specific equipment replacement shall only be accounted from the date of replacement until the point in time when the existing equipment would have been replaced in the absence of the project activity or the end of crediting period, whatever is earlier.

4. In order to estimate the point in time when the existing equipment would need to be replaced in the absence of the CDM, a new methodology may consider the following approaches:

(a) A sector and/or activity specific method or criteria to determine when the equipment would be replaced or retrofitted in the absence of the CDM;

(b) The typical average technical lifetime of the type equipment may be determined and documented, taking into account common practices in the sector and country, e.g. based on industry surveys, statistics, technical literature, etc.;

(c) The practices of the responsible entity regarding replacement schedules may be evaluated and documented, e.g. based on historical replacement records for similar equipment.

5. The point in time when the existing equipment would need to be replaced in the absence of the project activity should be chosen in conservative manner.

6. In case of project activities that involve several replacements or retrofits, project participants may consider, *inter alia*, the following generic approaches:

(a) Determination of the technical lifetime on a case by case basis, for each equipment or equipment type that is being replaced. This approach may be appropriate if different types of existing equipment are involved; or

(b) Assuming a conservative default technical lifetime for all equipment involved; or

[1] Please refer to annex 1 of the report of the Executive Board at its eighth meeting at <http://cdm.unfccc.int/EB/Meetings>.

(c) For projects involving a large number of individual equipment installations, methodologies may use a baseline that reflects the expected improvements in emission characteristics (for the equipment type within the sector or industry in question) as a result of replacements or retrofits of equipment in the absence of the project activity.

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