

**REPORT OF THE TWENTY - THIRD MEETING OF
THE METHODOLOGIES PANEL**
UNFCCC Headquarters, Bonn, Germany
9 - 11 October 2006

**I. RECOMMENDATIONS BY THE METHODOLOGIES PANEL TO
THE EXECUTIVE BOARD**

A. Opening of the meeting and adoption of agenda

1. The acting Chair of the Methodologies Panel (Meth Panel), Mr. Xuedu Lu and accompanying co-chair Mr. Lex de Jonge, opened the meeting.
2. The agenda was adopted as proposed.

B. Consideration of proposed new methodologies

3. The Meth Panel considered the proposed new methodologies for the following cases as well as desk reviews and public inputs received, where applicable.
4. The final recommendations, proposed by the Meth Panel for the consideration by the Executive Board, are made available on the UNFCCC CDM website:
<<http://cdm.unfccc.int/methodologies/PAmethodologies/publicview.html>>.
5. In accordance with the procedures for submission and consideration of a proposed new methodology, project participants may submit, via the DOE, technical clarifications to preliminary recommendations. Preliminary recommendations for which project participants have not provided any clarifications within the (4) week consultation period shall be considered as final recommendations, and will be forwarded to the Executive Board for consideration and made available on the UNFCCC CDM website.
6. The Meth Panel agreed on the following recommendations:

Cases	MP 23¹ recommendation
NM0110-rev: Mitigation of Methane Emissions in the Charcoal Production of Plantar, Brazil, as contained in annex 1	A
NM0133-rev: Grid-connected power generation project using biomass fuel from newly developed dedicated plantations, in Nakhon Ratchasima Province, Thailand, as contained in annex 2	A
NM0150-rev : Ghana efficient lighting retrofit project	Work in progress²
NM0151: CEG Gas Distribution Pipeline Replacement Project in Rio de Janeiro, as contained in annex 3	A
NM0158: Mexico, Insurgentes Avenue Bus Rapid Transit Pilot Project	C

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¹ Recommendations to the methodologies from the twenty third meeting of the Meth Panel, where A (recommended for approval), B (recommended for revision) and C (recommended for non-approval) are final recommendations to the Board.

² The deliberations on these methodologies could not be concluded at the twenty-third meeting of the Meth Panel. These cases will be further considered before providing a recommendation to the Board.

Cases	MP 23¹ recommendation
NM0184 : Improved heat rates and capacity enhancement of Gas Turbines at RIL Jamnagar, through retrofit for Inlet Air Cooling	C
NM0185 : Khon Kaen fuel ethanol project	Preliminary recommendation
NM0186 : Increased electricity generation from existing hydropower stations through Decision Support System optimization in Azerbaijan	Work in progress
NM0187 : Permata Hijau Group Cogeneration Biomass Project	Preliminary recommendation
NM0188 : East Coast Power Plant (S) Sdn. Bhd. 13MW biomass power generation project	Preliminary recommendation
NM0189 : Shanghai Bailonggang Sludge Treatment Project	Preliminary recommendation
NM0190 : Caracol Knits Trigeneration Project	C
NM0191 : Vitale SA Biomass Co-Generation Project	Preliminary recommendation
NM0192 : Recovery and utilization of flare waste gases at the Industrial Complex of La Plata Project.	Work in progress

C. Clarifications and requests for revisions of approved methodologies

7. The Meth Panel considered the following requests for clarifications and requests for revisions related to the application of approved baseline and monitoring methodologies. The requests submitted and the recommendations provided by the Meth Panel are made publicly available on the UNFCCC CDM web site at <http://cdm.unfccc.int/methodologies/PAmethodologies/Clarifications> and <http://cdm.unfccc.int/methodologies/PAmethodologies/Revisions> respectively. The requests for revisions that resulted in a recommendation by the Meth Panel to revise an approved methodology are reflected in section D below.

Clarification number	Approved Methodology	Title of the clarification	MP 23 recommendation.
AM_CLA_0032	AM0034	"Definition of facilities installed no later than 31 December"	Clarified the definition (see para 11)
AM_REV_0014	ACM0006	"New scenario 17: Partial or complete fuel switch from fossil fuels to biomass at an existing cogeneration plant without significantly changing heat and electricity production".	Not to revise
AM_REV_0015	ACM0006	"Proposal of new scenario for ACM0006 in order to cover energy efficiency projects resulting in fossil fuel displacement plus expansion of surplus power capacity"	Not to revise

AM_REV_0018	ACM0002	"Electricity generation projects resulting in emissions reductions in another non-Annex I country"	Not to revise (see para 8)
AM_REV_0019	ACM0006	Extend applicability to heat generation projects that switch from fossil fuel to biomass residues	Not to revise
AM_REV_0022	ACM0004	"Waste gases captive generation power plant to be decommissioned in the project scenario"	Not to revise, but revised to clarify the applicability (see para 12)
AM_REV_0023	ACM0006	"Use of first order decay model for calculation of avoided methane emissions from natural decay"	Revise (see para 13)
AM_REV_0024	ACM0006	"Addition of a scenario for fossil fuel based electricity and heat generation in the baseline case"	Revise (see para 13)
AM_REV_0025	AM0025	"Addition of applicability for mechanical process to produce RDF and its use as one of the alternative waste treatment processes "	Revise (see para 9)
AM_REV_0026	ACM0002	"Treatment of electricity exported from a project activity to a grid located in a different country"	Not to revise (see para 8)

8. The Meth Panel expressed its appreciation for the inputs provides via request for revisions of approved ACM0002. Project activities exporting electricity to other grids present a number of challenging issues with relation to monitoring and verification to ensure that claimed exports actually deliver and displace generation in grids to which the electricity is exported. These issues also have a close link with the way electricity imports are addressed in the approved methodology ACM0002. The Meth Panel agreed to undertake a thorough examination of these issues. The project participants are encouraged to submit further suggestions for revision as per the clarifications by the Meth Panel in its response to request for revisions. However, project participants should be aware that these clarifications may not necessarily have identified all the issues that may be deemed relevant in the analysis to be conducted by the Meth Panel.

D. Revision of approved methodologies

9. AM0025:

(a) In response to the request for revision of the approved methodology AM0025 to expand its applicability to project activities that use a mechanical process to produce refuse-derived fuel (RDF) for power generation from municipal solid waste, the Meth Panel recommended a revision to expand the applicability of the methodology, as contained in annex 4.

(b) The Meth Panel recommended that as the revision is to expand the applicability of the approved methodology only, DOEs need not make publicly available for 30 days a revised CDM-PDD applying the recommended revised version of the approved methodology for all project activities in the validation stage that apply the current version of the approved methodology (version 04), which expired after the CDM-PDD was made available for public comments. .

10. AM0028:

(a) The Meth Panel revised the approved methodology to clarify that the phrase “existing nitric acid production facilities installed no later than 31 December 2005” in the applicability conditions should be that a record of commercial production exists before 31 December, 2005. The revised version of the methodology is contained in annex 5.

(b) The Meth Panel recommended that DOEs shall make publicly available for 30 days a revised CDM-PDD applying the recommended revised version of the approved methodology for all project activities in the validation stage that apply the current version of the approved methodology (version 02), which expired after the CDM-PDD was made available for public comments.

11. AM0034:

(a) In response to the request for clarification of the approved methodology AM0034 is revised to clarify that the “existing nitric acid production facilities installed no later than 31 December 2005” in the applicability conditions should be taken to imply that a record of commercial production exists before 31 December, 2005. The revised version of the methodology is contained in annex 6.

(b) The Meth Panel recommended that DOEs shall make publicly available for 30 days a revised CDM-PDD applying the recommended revised version of the approved methodology for all project activities in the validation stage that apply the current version of the approved methodology (version 01), which expired after the CDM-PDD was made available for public comments.

12. ACM0004:

(a) In response to the request for revision the approved methodology ACM0004 was revised to clarify that the approved methodology is only applicable to project activities where the electricity is generated on-site of the industrial facility where the waste gas is generated and primarily used to meet the said industrial facility’s electricity demand. The revised version of the methodology is contained in annex 7.

(b) The Meth Panel recommended that DOEs shall make publicly available for 30 days a revised CDM-PDD applying the recommended revised version of the approved methodology for all project activities in the validation stage that apply the current version of the approved methodology (version 02), which expired after the CDM-PDD was made available for public comments.

13. ACM0006:

(a) In response to two requests for revision, the approved consolidated methodology ACM0006 was revised to (i) broaden the scope of five scenarios (5, 6, 7, 8 & 11) to allow the possibility that existing fossil fuel fired power plants may also be retired as a result of the project activity; (ii) incorporate the FOD tool as an option in cases where the biomass residues would be dumped under clearly anaerobic conditions in the baseline scenario.

(b) Further the methodology was revised to (i) to the new approved methodology format; (ii) make relevant parts consistent with AM0036, particularly with respect to the monitoring provisions; (iii) update emissions factors used in the methodology based on the 2006 IPCC

Guidelines; and, (iv) make provisions related to the lifetime of existing installations that are replaced as a result of the project activity in compliance with guidance by the Board on this matter (section C of Annex 2 EB22).

(c) The Meth Panel also recommended that for project proponents may wish to propose a new methodology rather than the revision of the approved methodology ACM0006 for project activities seeking emission reductions due to demand side energy efficiency measures in industrial facility where biomass is used to generate energy in place of fossil fuel, which was used in the baseline..

(d) The Meth Panel recommended that for project activities where biomass would decay under anaerobic conditions in the baseline scenario, the DOEs shall make publicly available for 30 days a revised CDM-PDD applying the recommended revised version of the approved methodology for all project activities in the validation stage that apply the current version of the approved methodology (version 03), which expired after the CDM-PDD was made available for public comments.

(e) The revised version of the approved methodology ACM0006 is contained in annex 8.

E. Consideration of revision of approved methodology AMS I.D

14. As requested by the Board (paragraph 61 of the twenty sixth meeting report), the Meth Panel reviewed the revision of the approved small scale methodology AMS I.D, as proposed by the SSC WG at its seventh meeting. The Meth Panel recommended that only adding new units will be considered as adding new capacity, any other case that augments the capacity shall be considered as retrofit. Furthermore, the estimation of emission generation from the retrofit component of the project activity was made consistent with estimation procedure for adding capacity. Further editorial changes were also made for clarification. The suggested revisions to the small scale methodology are highlighted in the annex 9 to this report, for the consideration by the SSC WG.

15. The Meth Panel also recommended that the SSC WG clarify in the glossary of terms the term “retrofit”.

F. Draft combined tool to identify the baseline scenario and demonstrate additionality

16. The Meth Panel considered recommends a draft Methodological Tool “Combined tool to identify the baseline scenario and demonstrate additionality” (Combined Tool), as contained in Annex 10. The draft tool has two (2) text options that require further consideration by the Board.

17. The Meth Panel noted that the draft Combined Tool is applicable only to project activities where all identified alternative baseline scenarios are under the control of project participants.³

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³ In cases where one or more alternatives are not under the control of project participants, a different procedure would be required to demonstrate additionality and identify the baseline scenario than provided in the draft. Such cases might include grid-connected power projects (where an alternative might be electricity produced by other facilities not under the control of project participants) or other projects that increase the delivery of a given product to a competitive local, regional or global market. In such cases, baseline scenarios might be rather complex (such as the combined margin scenario in ACM0002), and the methods for comparing alternatives may differ from those provided in the draft (e.g. benchmark analysis or other methods that utilize information about the markets in which such projects might compete). The Meth Panel is considering whether; expanding this tool to cover all cases would be appropriate. In the meantime, methodologies that typically involve alternatives are not under the control of project participants can

18. The Meth Panel recommended that the current “Tool for the demonstration and assessment of additionality” be revised to be consistent with approaches proposed in the draft Combined Tool.

G. Assessment of application of the additionality tool

19. The Board at its twenty fourth meeting agreed that the Meth Panel should work on improving the additionality tool. This work included the consideration of the public inputs on the additionality tool, an assessment of how the additionality tool has been applied in practice, and the further development of a Combined Tool both to identify the most likely baseline scenario and to assess additionality. In doing so the Meth Panel also considered an assessment of how the tool for the demonstration of additionality has been applied in practice to all projects that have been registered or submitted a request for registration until 20 May 2006. This assessment was carried out via a detailed analysis of the PDDs and validation reports for registered CDM projects that use the approved tool for the demonstration of additionality by several independent experts.

20. The Board and DOEs may already be in the process of addressing the issues and concerns described in the recommendations below as based on the above mentioned assessment. This process has not (as yet) involved direct contact with DOEs, an assessment of the RIT process, or consultation with the Board. While consideration of these perspectives and recent developments might alter the conclusions that can be drawn from the analysis described here, the Meth Panel was still of the view that it was important to convey these issues and concerns. The key findings from the assessment of how the tool for the demonstration of additionality has been applied include the following:

(a) From review of available documentation it appears that current methodological guidance from the Board is either not applied or, if applied, is not always documented. For example, several project activities, which use the additionality tool have not assessed whether the proposed project carried out without the CDM is a realistic and credible alternative scenario. Most projects requesting a crediting period that started prior to registration have not provided evidence in the CDM-PDD to support the claim that CDM was considered in the decision to proceed with the project activity, while some have provided evidence that appeared inconsistent with the claim. For a majority of PDDs examined, the method for conducting the common practice analysis is not documented, as is requested by the additionality tool. In many of the PDDs considered, key underlying assumptions and rationales related to additionality are not substantiated. Documented evidence tends to be more complete and sufficient in cases where the project activity does not generate significant revenues other than those related to CERs.

(b) Paragraph 27(h) of the Annex to decision 3/CMP.1 (“Information used to determine additionality ... shall not be considered as proprietary or confidential”) is interpreted differently by various project participants. In approximately half the PDDs examined, key information used to demonstrate additionality was not included in the PDD. It is possible that such information was shared privately with the DOEs or the Board, or may be available elsewhere.

(c) Current assessment of additionality by DOEs is varied. While validation reports for some registered CDM projects indicate that efforts to corroborate additionality claims were undertaken, other cases with no such indications were found. Some validation reports acknowledge or restate claims made in PDDs, but do not explain whether or how such claims

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continue to use, if desired, the additionality tool (provides benchmark and other tools), and provide their own methods to develop and/or assess the baseline scenario.

(and their underlying assumptions) have been validated. Among the project activities examined, there was no indication of a DOE requiring corrective action related to additionality. In summary, the available documentation reviewed by the consultants provides little evidence of external validation by DOEs of key assumptions and data used for additionality assessment, though such evidence may exist elsewhere. As noted above, such documentation (PDDs and validation reports) may not tell the full story; at the same time, such a gap in documentation should be rectified in the future.

21. The Meth Panel further recommended that the above concerns be addressed, as part of the ongoing improvements to the baseline and additionality tools. Possible ways forward may include:

(a) Providing further improvements to the design of, and guidance on the application of the additionality tool. The above findings suggest the likely added value of providing more specific methodological steps and guidance so that the application, validation, and verification of the additionality analysis can be more straightforward and transparent. Such increased clarity could be achieved through the provision of more specific instructions and/or guidance on barriers, economic indicators, and common practice criteria or thresholds specific to project types or sectors. This can be implemented either in the additionality tool or within individual methodologies using it as clarified by the Board at its eighteenth (paragraph 20) and twenty sixth meetings (paragraph 37). While in general it is appropriate to only refer to the tools in the proposed methodologies where ever possible, the Meth Panel believes that in case of the Combined Tool or the Additionality Tool it is highly useful to provide additional guidance in the underlying methodology, which is consistent with the above mentioned Board guidance. Including further clarity and specific guidance within the individual methodologies will enable a broad applicability of the methodologies and offers simplicity for the generic additionality tool.

(b) Strengthening the dialogue with DOEs, supporting a revision of the Validation and Registration Manual and supporting the development of guidance on how DOEs are expected to verify and validate the information related to additionality and the baseline scenario presented in the PDD.

(c) Strengthening the work of Registration and Issuance Teams (RIT); supporting RIT to put more emphasis on additionality assessment;

(d) Considering different approaches to assess the additionality of project activities, e.g. as proposed in public inputs on additionality. These could include more objective criteria, such as, for example, threshold values or benchmarks. Such criteria might be easier to validate for DOEs.

22. These findings suggest that further actions may be required by several actors including the Meth Panel, Project Participants, DOEs, and the RIT members.

H. Draft guidance on criteria for consolidations and revisions of methodologies

23. As requested by the Board at its twenty fourth meeting, the Meth Panel considered draft guidance on criteria for the consolidation and revision of methodologies and recommends the proposal as contained in annex 11.

I. Interactions with DOEs

24. The Meth Panel held a teleconference call with representatives of DOEs SGS, TUEV SUED and DNV on 10 October 2006, where discussions took place facilitating further cooperation between the DOEs and the Meth Panel. The following key issues were discussed:

(a) An approach to ensure the consistency of the use of grid emission factors by different project activities in the same region/country as requested by the Board at its last meeting.

(b) An approach to using international standards (e.g. the use of the European standard EN14181 in approved methodology AM0034), which are difficult to apply in developing countries (e.g. availability of standard gases and standards organizations). The Meth Panel suggested that the DOE provide a more detailed explanation of alternative approaches.

(c) Possibility of a procedure to allow DOEs to request revisions to methodologies, which is presently only allowed for the project participants. Furthermore, the DOE participants, aware of a possible conflict of interest, expressed an interest in involvement of the assessment of the methodologies over and above the pre-assessment of methodologies as they believe they have a role to play and in this regard, which may assist the process. They also encouraged a more direct dialogue between the project participants and the Meth Panel. The Meth Panel suggested that the participants table this issue with the DOE forum at forthcoming Board meetings.

(d) The DOEs enquired as to the quality and number of methodologies pre-assessed by them, submitted for consideration by the Board. Furthermore the DOEs highlighted that they would encourage more timely warning of methodologies that may require clarifications by the Meth Panel during the meetings.

(e) Meth panel invited comments on difficulties, if any, that the DOEs face on verification of the applicability conditions stated in the approved methodologies. The DOEs informed that do not have any major concerns on the issue.

(f) On request of the Meth Panel the DOEs informed their main concern vis-à-vis the verification of additionality is with regards to barrier analysis and would welcome more clarification of how to apply the barrier analysis.

J. Postponed agenda items

25. The Meth Panel postponed the following agenda items to the next meeting due to time constraints: (i) the use of IPCC carbon emission values for fuels; (ii) proposal on leakage from replacement of old equipment; (iii) proposal on the consideration of upstream emissions; (iv) proposal on the consideration of CDM projects in the estimation of grid emissions factors (v) the tool to calculate the grid emission factors, and (vi) tool to calculate emissions from the consumption of electricity or heat and the tool for the transportation of goods.

K. Roster of experts

26. 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 under round 16.

**L. Schedule of meetings and
rounds of submissions of proposed new methodologies**

27. The Meth Panel confirmed that its twenty-fourth meeting will be held from 27 November to 1 December 2006.

28. The Meth Panel noted that the deadline for the next round of submissions of proposed new methodologies is to be 5 February 2007. The Meth Panel reminded project participants that baseline and monitoring methodologies can be submitted at any time prior to this deadline.

External annexes to the twenty-third meeting of the Meth Panel

Annex 1: Draft reformatted baseline and monitoring methodology based on NM0110-rev

Annex 2: Draft reformatted baseline and monitoring methodology based on NM0133-rev

Annex 3: Draft reformatted baseline and monitoring methodology based on NM0151

Annex 4: Draft revision to AM0025

Annex 5: Draft revision to AM0028

Annex 6: Draft revision to AM0034

Annex 7: Draft revision to ACM0004

Annex 8: Draft revision to ACM0006

Annex 9: Draft recommended revision to AMS I.D

Annex 10: Draft methodological tool: Combined tool to identify the baseline scenario and demonstrate additionality

Annex 11: Draft guidance on criteria for consolidations and revisions of methodologies

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