REPORT OF THE TWENTY-SIXTH MEETING OF THE METHODOLOGIES PANEL
UNFCCC Headquarters, Bonn, Germany
26 - 30 March 2007

RECOMMENDATIONS BY THE METHODOLOGIES PANEL TO THE EXECUTIVE BOARD

A. Opening of the meeting and adoption of agenda

1. The Chair of the Methodologies Panel (Meth Panel), Mr. Akihiro Kuroki opened the meeting.

2. The agenda was adopted as proposed.

3. The Meth Panel expressed its deep appreciation for the efforts of Mr. Rajesh Sethi for his role first as EB support member and then the Chair in guiding the panels work over the last two years.

B. Consideration of proposed new methodologies

4. The Meth Panel considered the proposed new methodologies for the cases mentioned in the table below, as well as desk reviews and public inputs received, where applicable.

5. The final recommendations, proposed by the Meth Panel for the consideration by the Executive Board, are made available on the UNFCCC CDM website at http://cdm.unfccc.int/goto/MPpropmeth.

6. 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.

7. The Meth Panel agreed on the following recommendations:

Cases	MP 26[1] recommendation
NM0121-rev: Bumbuna Hydroelectric Project	**Work in progress** (see paragraph 8)
NM0141-rev: Displacing grid/off-grid steam and electricity generation with less carbon intensive fuels in Aba, Nigeria, as contained in annex 1	**A**
NM0142-rev: Palm Methyl Ester – Biodiesel Fuel (PME-BDF) production and use for transportation in Thailand	**C** (see paragraph 28)
NM0160-rev: Shell Cogeneration Project	**Preliminary recommendation**
NM0161-rev: Mondi Gas Turbine Co-generation in Richards Bay, South Africa, as contained in annex 2	**A**

[1] Recommendations to the proposed new methodologies from the twenty-sixth 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.

Cases	MP 26[1] recommendation
NM0165-rev: Feed switchover from Naphtha to Natural Gas (NG) at Phulpur plant of IFFCO, as contained in annex 3	**A**
NM0170-rev: Installation of Carbon Dioxide Recovery (CDR) plant at Indian Farmers Fertiliser Cooperative Ltd (IFFCO), Phulpur Plant	**C**
NM0171: Use of Hydro Heavy Fuel Oil Technology (HHFOT) to improve energy efficiency at a power plant in Pakistan, as contained in annex 4	**A**
NM0172-rev: Methane Leak Reduction From Natural Gas Pipelines	**Preliminary recommendation**
NM0174-rev: MSW Incineration Project in Guanzhuang, Tianjin City, China, as contained in annex 5	**A** (incorporated in AM0025)
NM0176-rev: Soluciones Nitrous Oxide Abatement Project, as contained in annex 6	**A**
NM0179: Waste Heat Recovery based Steam and Power Generation, as contained in annex 7	**A** (see paragraph 19 below**)**
NM0186: Increased electricity generation from existing hydropower stations through Decision Support System optimization in Azerbaijan, as contained in annex 8	**A**
NM0192-rev: Recovery and utilization of flare waste gases at the Industrial Complex of La Plata Project	**Preliminary recommendation**
NM0194: Green House Gas (GHG) emission reduction by Manufacturing of natural surfactant Alpha Olefin Sulphonate	**B**
NM0195: Rama Newsprint and Papers Limited energy efficiency project, India	**C**
NM0197: India – Accelerated Chiller Replacement Program	**B**
NM0200: Fuel switch project for generation of cleaner power	**B**
NM0202: AzDRES Power Plant Energy Efficiency and change in fuel mix	**B**
NM0203: Energy efficiency improvements of Pucheng Power Plant through retrofitting turbines in China	**Preliminary recommendation**
NM0204: Energy efficiency improvement through crude pre-heat train optimization in Barauni Refinery, Indian Oil Corporation Limited	**C**

8. The Meth Panel considered the proposal for measurement of greenhouse gas emissions from the reservoir as proposed in the case NM0121-rev, which is for a hydro power project with a power density less than 4 W/m^2. The panel appreciated the efforts of the project participants, but were of the view that a key issue in this methodology is whether or not there is a scientific agreement on methods for measurement of greenhouse gas emissions from reservoirs. The panel will seek further expert input on this issue before finalizing its consideration of the case.

C. Clarifications and requests for revisions of approved methodologies

9. 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/goto/MPclar and http://cdm.unfccc.int/goto/MPrev, 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 request for clarification	MP 26 recommendation.
AM_CLA_0038	ACM0002 ver.6	"Clarification on data vintage if OM or BM emission coefficient"	**Clarified**
AM_CLA_0039	AM0034 ver.2	"Monitoring of gauze supplier "	**Clarified**
AM_CLA_0040	ACM0004 ver.2	"Clarification on estimation of efficiency of captive power"	**Incorporated in the consolidated methodology (see paragraph 19)**
AM_CLA_0041	ACM0004 ver.2	"Clarification on applicability of methodology to projects"	**Incorporated in the consolidated methodology (see paragraph 19)**
AM_CLA_0042	ACM0006 ver.4	"Simultaneous application of two compatible baseline scenarios (Nº3 and Nº4) to one single CDM project activity"	**Clarified**

Revision number	Approved Methodology	Title of the request for revision	MP 26 recommendation.
AM_REV_0027	ACM0002 ver. 6	"Approach for the exclusion of immaterial parts of a multinational grid"	**To incorporate in the next revision of the approved methodology (see paragraph 12)**
AM_REV_0029	ACM0002 ver. 6	"Enable the use of ACM0002 for power plants that result in emission reductions in another non-Annex I country because of the enhancement of dispatch of clean energy to that grid"	**Not to revise**
AM_REV_0033	ACM0004 ver. 2	"To revise ACM0004 taking account of fossil fuel and waste heat recovery boilers supplying one turbine generator. This has been proposed as the measurement of the calorific value of waste heat gases is not possible"	**Incorporated in the consolidated methodology (see paragraph 19)**
AM_REV_0035	AM0026 ver. 2	"Methodology for zero-emissions grid-connected electricity generation from renewable sources in Chile or in countries with merit order based dispatch grid"	**Not to revise**
AM_REV_0036	AM0014 ver. 2	"Revision to include a project that displaces a fuel other than natural gas and to allow the use of the tool for	**To revise**

		demonstration and assessment of additionality"	
AM_REV_0037	ACM0007 ver. 1	"Redefine the Single cycle to combined cycle definition as to utilize previously-unused waste heat from an engine in a power plant"	**To revise**
AM_REV_0038	AM0014 ver. 2	"Propose the use of the latest version of the "Tool for demonstration and assessment of additionality" as an option of the additionality test"	**To revise**
AM_REV_0039	ACM0003 ver. 4	"The proposed revised methodology will expand ACM0003 ver. 04 scope to include projects that source biomass from dedicated plantations as an alternative fuel"	**Not to revise (see paragraph 10)**
AM_REV_0040	AM0037 ver. 1.1	"Flare reduction and gas utilization at fossil fuel processing facilities"	**Not to revise**
AM_REV_0041	AM0043 ver. 1	"Amendment to include leak reduction from a natural gas distribution grid by replacing old steel pipes with polyethylene pipes"	**Not to revise**
AM_REV_0042	AM0023 ver. 1	"Clarification on Inclusion of Distribution System Above Ground Equipment in AM0023"	**To revise**
AM_REV_0043	AM0014 ver. 2	"Applicability of AM0014 methodology to cogeneration projects"	**Not to revise**
AM_REV_0044	ACM0006 ver. 4	"New Scenario for energy efficiency"	**To revise**
AM_REV_0045	ACM0003 ver. 4	"To apply approved methodology to the cement industry where fossil fuel(s) used in cement manufacture are partially replaced by alternative fuels and they are already part of the existing fuel mix"	**Not to revise** (see paragraph 10)

10. The Meth Panel recommended to the Board to clarify that the approved consolidated methodology ACM0003 is not applicable to project activities where the plants were already using the alternative fuels prior to the implementation of the project activity. This clarification is necessary because the algorithm in ACM0003 to calculate emission reductions is based on the total amount of alternatives used and additional methodological approaches would be required to determine the level of alternative fuels that would be used in the absence of the project activity. The issue was identified in the request for revision AM_REV_0045. The Meth Panel also agreed to prepare a draft revision to ACM0003 for consideration at its next meeting, with the aim to:

(a) Broaden the applicability, based on the request for revision AM_REV_0039, to project activities that use renewable biomass as an alternative fuel from dedicated planations;
(b) To expand the applicability to project activities that already use an alternative fuel in the baseline;
(c) To improve the clarity and consistency, in particular with respect to the monitoring of the applicability conditions, consistent with ACM0006, AM0036 and other approved methodologies;

(d) Use of approved tools to make it consistent with recently approved methodologies; and
(e) Simplify the methodology by neglecting very minor emission sources.

11. The Meth Panel discussed the proposal for revision of approved consolidated methodology ACM0002 in response to the requests for revision AM_REV_0018 and AM_REV_0029 (and the related request for revision AM_REV_0026). These requests were for expanding the applicability of the approved consolidated methodology ACM0002 to project activities where renewable based power generation plant export electricity to a grid other than the one in which it is located. The panel noted that the key issue in such project activities is the traceability of the impact of the project activity generation plant, i.e., whether the exported electricity displaces generation in the receiving grid or in other connected grids. The panel noted that a number of aspects have to be anlaysed to address this issue for a general class of such project activities and as the requests submitted are specific instances of such a class of project activities, the panel recommended that they be submitted as a request for deviation to the Board. It further observed that the these project activities should include in the CDM-PDD a proper procedure for: (i) verifying that the electricity is delivered to the grid to which the project activity is exporting; and (ii) to demonstrate that the exported electricity the result in displacement of generation in the grid to which electricity is exported.

12. The Meth Panel agreed to consider the request for revision AM_REV_0027 at its next meeting. The proposal presented by the project participant, in the request for revision, to identify the immaterial parts of the multinational grid were found to be appropriate by the panel.

13. The Meth Panel, in response to the request by the Board, considered the role of the validating DOE and verifying DOE with respect to determination of permitted operating conditions according to AM0034. The Meth Panel was of the view that establishing a baseline through a campaign can be validated by a DOE. As this is conducted through monitoring, it therefore can also be undertaken by the verifying DOE. The Meth Panel recommended that either validating or verifying DOE could undertake the task of determination of the permitted operating conditions.

D. Revision of approved methodologies

14. **AM0014:** The Meth Panel recommended to revise the approved methodology AM0014 in response to requests for revision AM_REV_0036 and AM_REV_0038, as contained in annex 9. The recommended revision expands the applicability of the approved methodology to CDM project activities that use oil or coal to generate energy in the absence of the project activity.

15. **AM0023:** The Meth Panel recommended the revision of the approved methodology AM0023 to expand its applicability to CDM project activities that reduce leakages in surface facilities in gas distribution systems including pressure regulation stations. The revised version of the methodology is contained in annex 10.

16. **AM0025:** The Meth Panel recommended the revision of the approved methodology AM0025 to incorporate the proposed new methodology NM0174-rev (MSW Incineration Project in Guanzhuang, Tianjin City, China) expanding its applicability to CDM projects activities that use incineration of municipal solid waste to generate energy. The revised version of the methodology is contained in annex 5.

17. **ACM0006:** The Meth Panel recommended to revise the approved consolidated methodology ACM0006 in response to requests for clarification AM_CLA_0035 and AM_CLA_0036 (considered at twenty-fifth meeting of the panel) and request for revision

AM_REV_0044, as contained in annex 11. The revision includes, other than editorial changes, the following:

(a) A clearer definition of the terms used in the methodology, as requested in the clarifications AM_CLA_0035 and AM_CLA_0036;

(b) Two new scenarios to allow applicability of the approved consolidated methodology to project activities;

(i) that improve the energy efficiency of a reference biomass residue fired power plant replacing an existing biomass residue fired power plant. The replacement increases the power generation capacity; and

(ii) that improve the energy efficiency of a reference biomass residue fired power plant by retrofit. The retrofit increases the power generation capacity

(c) A reference to the combined tool for identification of baseline scenario and demonstration of additionality.

18. **ACM0007:** The Meth Panel recommended to revise the approved consolidated methodology ACM0007 in response to a request for revision AM_REV_0037, as contained in annex 12. The applicability is now expanded to project activities that use waste heat, from engines, in the electricity generation process. The revisions also simplifies and clarifies several equations, clarifies the requirement for demonstrating that waste heat was not used prior to the project activity, and includes a reference to the combined tool for identification of baseline scenario and demonstration of additionality.

E. Consolidated methodologies

19. The Meth Panel recommended the approval of consolidated methodology based on the approved methodology AM0032, approved consolidated methodology ACM0004, the case NM0179 and also some elements of the cases NM0155-rev and NM0192, as contained in annex 7. The proposed consolidated methodology is applicable to project activities that use waste gas/heat/pressure, in existing or new industrial facilities, to generate energy. The project activity could be implemented by the owners of the industrial facility or a third party (e.g., ESCO). The energy generated could either be consumed on-site or exported to consumers other than the industrial facility where the waste gas is generated.

20. Furthermore, the panel discussed the proposal that for new facilities applying the consolidated methodology, referred to in paragraph 19 above, additionality should be demonstrated through investment analysis. The panel could not arrive at a consensus and proposed the following options, as listed in the recommended draft consolidated methodology, to the Board:

(a) Option 1: Approve the recommended draft consolidated methodology with the proposal that additionality for new facilities shall be demonstrated through investment analysis.

(b) Option 2: Approve the recommended draft consolidated methodology, but without the condition that new facilities shall prove additionality using investment analysis.

21. The Meth Panel noted that a number of proposed new methodologies submitted in the past two rounds are for project activities that undertake energy efficiency in power/cogeneration

plants. The panel agreed to explore the possibility of developing a consolidated methodology for such project activities to ensure a consistent approach.

F. Withdrawal of approved methodologies

22. The Meth Panel recommended the withdrawal of approved methodology AM0032 (Methodology for waste gas or waste heat based cogeneration system) and ACM0004 (Consolidated methodology for waste gas and/or heat for power generation), which are incorporated into the draft consolidated methodology for cogeneration using waste gas, referred to in paragraph 19 above. The approved methodology AM0032 is for project activities that use waste gas to cogenerate energy for on-site use or export. The approved consolidated methodology ACM0004 is for project activities using waste gas, generated at existing or new industrial facility, to generate electricity for own use or export to the grid. Whereas, the new recommended draft consolidated cogeneration methodology is applicable to all project activities that could apply either AM0032 or ACM0004.

G. Improving the efficiency of the Meth Panel

23. The panel considered options to further improve the efficiency of its work, as supported by the extended role of the secretariat in supporting the consideration of the methodological issues, and will continue its work in this regard as guided by the Board. Some of the options discussed concerned prioritization of agenda items, solving of cross cutting issues and improving the timeliness of deliverables for meetings.

H. Methodological tools

24. The panel discussed the draft tool for estimating grid emission factor prepared by the consultant and agreed to finalize the tool at its next meeting.

25. The panel discussed the draft tool for estimation of emissions from cultivation of biomass. It discussed the main sources of emissions to be covered by the tool and its applicability conditions, agreeing to finalize the tool at its next meeting.

I. Issue of shift of pre-project activities

26. The Meth Panel considered the draft proposal on the issue of shift of pre-project activity prepared by the consultant as per the Boards request to address the issue via the inclusion of methodological approaches in baseline and monitoring methodologies to estimate the GHG emissions from such land-use changes. The Meth Panel agreed to continue its work in this regard.

27. The Meth Panel would like to clarify the concept of the shift of a pre-project activity, which in its view is pertinent to cases where project activities use inputs that are cultivated but are not waste, e.g., palm oil for biofuel, biomass for energy, soybean oil for biofuel, etc. Sourcing of inputs for such project activities can impact the land use pattern independent of the fact whether the inputs are procured from existing sources or from cultivation on new land. In case the input is obtained from existing cultivation (e.g., palm oil procured from existing palm oil plantation), the use of input (palm oil) by the project activity results in displacement of earlier users of input (say palm oil use by soap manufacturers), which may then source it from new sources resulting in increased land under cultivation (new palm oil plantations). If the land, where the resultant displaced demand (palm oil seed) is cultivated, was earlier used for other purposes (i.e. forest), then the change in use of that land may result in leakage, which should be accounted for in emission reduction calculations.

28. In this regard the Meth Panel considered the case NM0142-rev, consideration of which was pending to address the issue of shift of pre-project activity. The project activity, defined in the example CDM-PDD submitted, stated that the raw material used for production of biofuel is based on palm oil from existing plantations. The Meth Panel noted that even if the palm oil is sourced from existing plantations, this is likely to result in a shift of pre-project activities, as the previous users of the palm oil would need to meet their demand for palm oil from other land outside the project boundary.

J. General guidance issues and tools

29. The Meth Panel discussed a number of issues regarding general guidance and tools including tool for estimating grid emission factors, guidance for consideration of shift of pre-project activities outside the project boundary, guidance to address uncertainty in estimations of emissions, tool for project emissions from energy consumption within the project boundary, guidance on consideration of upstream emissions, analysis of use if IPCC carbon emission values, etc. The panel agreed to further consider these issues at its next meeting.

K. Roster of experts

30. The Meth Panel noted the satisfactory completion of the desk reviews undertaken for proposed new methodologies considered at the meeting.

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

31. The Meth Panel confirmed that its twenty-seventh meeting will be held from 28 May to 1 June 2007.

32. The Meth Panel reminded project participants that the deadline for the nineteenth round of submissions of proposed new methodologies is to be 1 June 2007. The Meth Panel also reminded project participants that baseline and monitoring methodologies can be submitted at any time prior to this deadline.

Annexes to the twenty-sixth meeting of the Meth Panel

Annex 1: Draft reformatted baseline and monitoring methodology based on NM0141-rev

Annex 2: Draft reformatted baseline and monitoring methodology based on NM0161-rev

Annex 3: Draft reformatted baseline and monitoring methodology based on NM0165-rev

Annex 4: Draft reformatted baseline and monitoring methodology based on NM0171

Annex 5: Draft revision to AM0025 (incorporating case NM0174-rev)

Annex 6: Draft reformatted baseline and monitoring methodology based on NM176-rev

Annex 7: Draft consolidated baseline and monitoring methodology for GHG emission reductions through waste energy recovery

Annex 8: Draft reformatted baseline and monitoring methodology based on NM0186

Annex 9: Draft revision to AM0014

Annex 10: Draft revision to AM0023

Annex 11: Draft revision to ACM0006

Annex 12: Draft revision to ACM0007

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