

Note on the barrier “first-of-its-kind”

I. Background

The Board at its thirty-eighth meeting considered the analysis of the application of the common practice test to a sample of project activities and requested the Meth Panel to work on providing a definition of the “first-of-its-kind” project activity.

II. Issues to be addressed

This document provides a recommendation to the Board on guidance to project participants for determining whether the barrier “first-of-its-kind” is applicable to their respective project activities. The barrier “first-of-its-kind” enables project participants to demonstrate the additionality of a project activity in a simple and straightforward manner. A project activity is assumed to be additional if no similar project has been implemented previously in a certain geographical area. If a project activity is “first-of-its-kind”, it is clear that implementation of the specific technology is not yet “common practice”. If a project activity is “first-of-its-kind”, no additional assessment steps are undertaken to confirm additionality. Given the difficulties in clearly providing a definition of the term “first-of-its-kind” in the context of a specific project activity, considering that project activities that deemed to be “first-of-its-kind” pass the additionality test by default, and given that project activities that do not meet the requirements under “first-of-its-kind” can still establish additionality on the basis of other barriers or an investment analysis, the Meth Panel believes that a cautious approach should be used in providing guidance on “first-of-its-kind” barrier.

The Meth Panel identified three main issues that should be addressed to make the barrier “first-of-its-kind” operational:

- (1) Provide a definition of the **number of similar project activities** that may have already been implemented to still regard the project activity as “first-of-its-kind”;
- (2) Provide a definition of the **technologies**, for which the barrier “first-of-its-kind” can be used (all technologies or only defined “novel/innovative/brand new” technologies) and a definition of what is regarded as a **similar technology or project activity**;
- (3) Provide a definition of the **geographical area** to be used for the assessment of the number of similar project activities that have already been implemented.

III. Guidance

Proposed guidance

The following guidance should be applied in assessing whether a project activity faces the barrier “first-of-its-kind”:

- (1) In the absence of a specific definition in an approved baseline and monitoring methodology, the barrier “first-of-its-kind” shall apply if:
 - (a) The project technology has not been in commercial operation in the applicable geographical area; and
 - (b) The project technology has not been proposed in another CDM project activity in the applicable geographical area and published in the CDM-PDD by a DOE for public comments.

- (2) In the case of project activities that start commercial operation *after* the CDM-PDD is submitted to the DOE for validation, the assessment should be performed based on the situation at the point in time when the CDM-PDD is published by the DOE for public comments. The assessment should include all similar project activities in the applicable geographical area, both registered and submitted for validation. In the case of project activities that have started commercial operation *before* the CDM-PDD is submitted to the DOE for validation, this assessment should be performed based on the situation at the point in time when the commercial operation of the project activity has started. Other CDM project activities should be included in this assessment.
- (3) Baseline and monitoring methodologies should clearly define the project technology and what is regarded as a similar technology. In the absence of a clear definition of the project technology in the baseline and monitoring methodology, all technologies to which the methodology is applicable should be regarded as similar technologies. For power generation from renewable sources, the categorization of technologies as provided in Annex 1 should be used.
- (4) Baseline and monitoring methodologies should clearly define the applicable geographical area. The latter can be the global level, a country or a region within a country.¹ In the absence of a specific definition of the applicable geographical area in the approved baseline and monitoring methodology, the host country should be used as default.
- (5) In proposing new methodologies, project participants may provide different definitions for the project technology and geographical area, taking into account specific circumstances of the project type and technology. Any proposals should include clear and transparent definitions of:
 - (a) The number of similar project activities that may have been implemented in the past to still regard the project activity as “first-of-its-kind”;
 - (b) The project technology and what is regarded as a similar technology;
 - (c) The applicable geographical area.

Explanation

The Meth Panel recommends the following approach to the Board: A general definition of “first-of-its-kind” is suggested, which could be applied immediately to approved baseline and monitoring methodologies. However, more specific definitions can be proposed in new methodologies or in revisions to approved methodologies based on specific circumstances of a project type and/or technology adequately presented and supported by the project proponents. This approach provides an immediate clarification on how “first-of-its-kind” should be interpreted in the approved methodologies and, at the same time, offers enough flexibility to allow different definitions in methodologies in order to better reflect circumstances of the specific project type and technology. Given that the general definition is applicable to all types of technologies, including very large-scale industries, a cautious definition of “first-of-its-kind” is provided, which regards a project activity as “first-of-its-kind” only if *no* other projects using a similar technology has started commercial operation yet or has been publicly proposed as a CDM project activity.

Moreover, the Meth Panel recommends that project participants can claim the barrier “first-of-its-kind” as long as no other project activity employing the same technology within the applicable geographical area has been registered as a CDM project activity or published by the DOE for public comments. This provision is required to prevent many CDM project activities using the same new technology claiming all to be first-of-its-kind: if several project activities employing the same

¹ Due to specific local regulatory/policy conditions in large countries the “first-of-its-kind” nature of a project activity may need to be considered at a sub-national level (region, state, province, etc). For some industrial sectors, which have global framework for investments, it may be necessary to consider the global level.

technology within the applicable geographical area have been submitted to the DOEs for validation before starting their commercial operation, respective project participants could simultaneously claim that no other project activity has started commercial operation and that their project activities are all first-of-its-kind. For this reason, the Meth Panel also recommends to include other CDM project activities in the assessment. If other CDM project activities are not included, this implies that even with a very high penetration rate of a new technology, project activities could still be presented as “first-of-its-kind” if in all other cases of implementation of the technology the CDM was used. It should be noted that if a project activity does not meet the criteria under “first-of-its-kind”, the project participants could use any other barriers or the investment analysis to demonstrate additionality of this project activity.

The Meth Panel recommends that only project activities that are in commercial operation be considered in the assessment of the barrier “first-of-its-kind” in order to exclude research activities (e.g. test plants at universities).

For project activities that start operation after the CDM-PDD is submitted to the DOE for validation, the Meth Panel recommends that the assessment of whether the project activity is “first-of-its-kind” be based on the situation at the point in time when the CDM-PDD is submitted to and published by the DOE. For project activities that have already started commercial operation before the CDM-PDD is submitted to the DOE for validation, the situation at the point in time when commercial operation started should be considered.

The Meth Panel believes that a clear definition of the project technology and what is regarded a similar technology should be provided in approved methodologies. Considering that power generation projects utilising renewable sources constitute the majority of project activities that are in the process of validation, the definition for categories of technologies for power generation from renewable sources is provided in Annex 1. This categorization could be included in the relevant methodologies (e.g. ACM0002, ACM0006). The Meth Panel believes that for many project types the applicability conditions of the methodology can be used to define what is regarded as a similar technology.²

Finally, the Meth Panel considers the host country as the appropriate geographical area by default because the regulatory and policy framework, which is a key driver for new technologies, differs considerably between countries and is usually similar within a country. As for the other definitions, baseline and monitoring methodologies can provide for a different geographical area, such as the global or regional level, when it is more suitable for the circumstances of the specific project type and technology.

² For example, if a methodology is applicable to aluminium plants using Soderberg technology, other aluminium plants using Soderberg technology should be regarded as similar technologies.

Annex 1: Categorization of project technologies for power generation from renewable sources

Hydro

Large hydro (> 15 MW)

Small hydro (1 MW < X ≤ 15 MW)

Micro hydro (< 1 MW)

Biomass

Biomass gasification

Biogas combustion

Liquid biofuel combustion

Solid biomass combustion in low steam pressure (< 30 bar)³

Solid biomass combustion in medium steam pressure (30 bar ≤ X < 60 bar)³

Solid biomass combustion in high steam pressure (≥ 60 bar)

Wind

On-shore wind power (≤ 1.5 MW)⁴

On-shore wind power (> 1.5 MW)

Off-shore wind power

Solar

Thermal solar power

Photovoltaic power

Geothermal energy

³ A project activity in this category can only be deemed first-of-its-kind if no project in this category as well as in the category(ies) with a higher pressure has been implemented.

⁴ A project activity in this category can only be deemed first-of-its-kind if no project in this category as well as in the category with a capacity over 1.5 MW has been implemented.