REPORT OF THE THIRTY FIRST MEETING OF THE METHODOLOGIES PANEL

UNFCCC Headquarters, Bonn, Germany
4 - 8 February 2008

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 welcomed the new member Mr Luis de la Torre, who was appointed by the Board at its thirty fourth meeting as a replacement member.

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 submit clarification within a timeframe stipulated by the Chair of the Meth Panel (but not exceeding 4 weeks) shall be considered at the next meeting of the Meth Panel. If project participants do not provide clarification related to the preliminary recommendation by the Meth Panel, within the timeframe of three (3) months, the case will be considered as withdrawn.

7. The Meth Panel agreed on the following recommendations:

Cases	**MP 31[1] recommendation**
NM0208: Afam Integrated Gas and Power (AIGP) project	**WIP[2] (see paragraph 8)**
NM0231: Waste heat utilization for charge pre-heating in sponge iron	**A (see paragraph 9)**

[1] Recommendations to the proposed new methodologies from the thirty-first meeting of the Meth Panel, where A (recommended for approval) and C (recommended for non-approval) are final recommendations to the Board. Preliminary Recommendation are technical clarification requested by panel from project participants before finalizing its recommendation to the Board.

[2] Work in progress implies that the deliberations on these methodologies could not be concluded at the thirty first meeting of the Meth Panel. These cases will be further considered before providing a recommendation to the Board.

Cases	MP 31[1] recommendation
manufacturing process at HKMPL, India, as contained in annex 1.	
NM0235: Manufacturing of energy efficient domestic refrigerators	**WIP**
NM0238: Point of use Abatement Device to Reduce SF6 Emissions in LCD Manufacturing Operations	**C**
NM0242: Methane Leak Reduction From Natural Gas Pipelines in Georgia	**C**
NM0243: Installation of amorphous transformers in Shandong power distribution grid, as contained in annex 2.	**A**
NM0244: TNUIFSL- Municipal Street Lighting and Water Pumping Efficiency Improvement Project	**Preliminary Recommendation**
NM0245: The 220 MW Egiin Gol Hydroelectric power generation project in Mongolia (The Project or Project activity)	**C**
NM0246: Katende Hydroelectric Project	**WIP (see paragraph 8)**
NM0247: Manufacturing and servicing of refrigerators using low GWP refrigerant by M/s Videocon Appliances Ltd	**Preliminary Recommendation**
NM0248: Project for useful use of landfill gas actually being flared substituting natural gas	**Preliminary Recommendation**
NM0249: Reduction in Emissions in the Manufacture of Phospho-gypsum-based Gypcrete Wall Panel by Gypcrete Building India Ltd. (GBIL)	**C**
NM0250: Fès Waste Water Treatment Plant (WWTP) with sludge treatment and biogas recovery & utilization for electricity generation at Fès city, Morocco	**Preliminary Recommendation**
NM0251: South Korea SF6 capture and recycling project	**Preliminary Recommendation**
NM0252: Replacement of SF6 with FK 5-1-12 as a cover gas in the magnesium industry	**Preliminary Recommendation**
NM0253: Destilmex fuel ethanol project	**Preliminary Recommendation**

8. The panel considered the case NM0208, which is applicable to new power plants that supply electricity to grids located in regions characterized by shortage of electricity supply and existence of off-grid electricity generation capacity. The panel agreed to continue its work on the case as the expert input required to finalize the recommendation could not be completed in time for the meeting. The panel also agreed to consider the case NM0246, that applies to hydro power plants that provide electricity to a new isolated grid at a location that was previously characterized by predominance of diesel electricity generation (in a mini-grid and/or in point source off-grid generators), in conjunction with case NM0208, as this case has similar issues to NM0208. A recommendation on NM0246 will be prepared as soon as the expert input, in the context of NM0208, is available.

9. The Meth Panel considered the request from the Board raised at its thirty-sixth meeting on the draft methodology recommended for approval by the panel at its thirtieth meeting, based on case NM0231. The panel agreed to recommend the Board to approve the draft methodology

based on the case NM0231 and that it is applicable to both existing and greenfield facilities. If the project activity is implemented in a greenfield facility, the project participants shall demonstrate additionality through an investment analysis.

C. Clarifications and requests for revisions of approved methodologies

10. The Meth Panel recommended the Board to note the following requests for clarifications and approve the following 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 31 recommendation.
AM_CLA_0063	**AM0034**	Clarification on how the established historical operating parameters influence the determination of the baseline campaign N2O emission factors	**Clarified & to revise (See paragraph 15)**
AM_CLA_0064	**ACM0006**	Clarification regarding application of scenario 18	**Clarified (see paragraph 11)**
AM_CLA_0065	**ACM0006**	Requirement for heat generation efficiency in scenario 18 of ACM0006 version 06 methodology	**Clarified (see paragraph 11)**
AM_CLA_0066	**ACM0012**	Applicability for waste heat utilization from MSW incineration plant	**Clarified**

Revision number	Approved Methodology	Title of the request for revision	MP 31 recommendation
AM_REV_0071	**AM0047**	Production of biodiesel based on waste oils and/or waste fats from biogenic origin and/or oil from oilseeds for use as fuel	**WIP (see paragraph 14)**
AM_REV_0072	**ACM0006**	Proposal of new scenario for efficiency project activities that use biomass residues from their own production process	**Not to revise**
AM_REV_0073	**ACM0012**	Revision to extend applicability to include use of mechanical energy to displace electric motors	**To revise (see paragaph 13)**

AM_REV_0074	**ACM0006**	Propose a new scenario (scenario 21) for a project with a new biomass residue fired cogeneration plant that provides electricity and heat to the users at the project site	**To revise (see paragraph 12)**
AM_REV_0075	**ACM0012**	Baseline addition covering projects that increase significantly the use of flared/vent waste gas (project) combined with a smaller amount of waste gas already used for captive power (baseline), generating electricity in a new facility	**To revise (see paragaph 13)**
AM_REV_0076	**AM0019**	Considering planned individual higher emission source plant (incl. hypothetical power plant) as a baseline option	**Not to revise**
AM_REV_0077	**AM0036**	Revision proposal to calculate heat output for smaller boilers	**Not to revise**
AM_REV_0078	**ACM0014**	Request for revision to include Greenfield projects (i.e. new wastewater treatment plant deserving new plants or urban developments)	**Not to revise (see paragraph 17)**
AM_REV_0079	**AM0014**	Natural gas-based package cogeneration	**Not to revise**

11. The panel requested the Board to provide the following clarification on the approved methodology ACM0006:

i. In response to the request for clarification AM_CLA_64, a reference plant is defined as a "commonly installed new biomass residue fired cogeneration power plants in the respective industry sector in the country or region". The comparison should exclude plants implemented as CDM project activities. In cases where no such plant exists within the country, the reference plant (and its electrical efficiency) should be identified through economic analysis to identify the most probable situation in the baseline for generating the same amount of electricity (which could be partially produced by a reference plant and partially by power plants connected to the grid) and heat, as anticipated to be produced in the project activity. The analysis should take into account the availability of technology, common practice in similar industries, and other relevant factors as applicable.

ii. In response to the request for clarification AM_CLA_0065, the efficiency of heat generation of the project plant could be the same or different than the heat generation of the reference plant in context of scenarios 4, 13, 14 and 18.

12. The panel requested the Board to approve the response provided by the panel to the request for revision AM_REV_0074. The panel accepted the proposal made by AM_REV_0074 with a number of changes. The panel requested the Board to take note that the clarifications mentioned in paragraph 11 above and forth coming changes arising from response provided to the request for revision AM_REV_0074, which require further work, shall be considered at the next meeting of the panel before making a recommendation to the Board to revise the methodology.

13. The panel requesteds the Board to approve the response provided by the panel to the request for revision AM_REV_0073 and request for revision AM_REV_0075. The panel accepted the proposal made by AM_REV_0073 and AM_REV_0075 with a number of changes. The panel requested the Board to take note that the draft revision of approved methodology ACM0012 shall be finalized at the next panel meeting before making a recommendation to the Board. The draft revision will also consider possibility of further defining the project boundary where energy saving projects are part of a larger integrated facility

14. The Meth Panel at its thirtieth meeting proposed the revision to approved methodology AM0047 to the Board, which incorporated the proposal made by the request for revision AM_REV_0071. The Board further sought clarification on the revision proposed by the panel (see paragraph 18 below), which could not be concluded at this meeting. The panel expects to conclude its discussions and respond to the Board at its next meeting.

D. **Revision of approved methodologies and methodological tools**

15. **AM0034**: The panel recommended the Board to approve the revision of the approved methodology in response to the request for clarification AM_CLA_0063. The draft revision clarifies that, except production of Nitric Acid which is monitored on daily basis, all other variables are to be monitored at shorter intervals (i.e. 2 seconds). The procedure requires estimating the N2O flow for the total number of operating hours of the plant based on the statistical flow average for the period when the plant is operating within the permitted range. This means that the total N2O is estimated as if the plant was operating for recorded operating hours within the permitted operating parameters. The draft revised methodology is contained in annex 3.

16. **AM0037:** The panel recommended the Board to approve the revision of the approved methodology. The revision removes the third applicability condition and introduces procedures in the methodology to discount emissions reductions by the amount that would have occurred in an Annex I country. The panel requested the Board to note that the recommended revision restricts the applicability of the methodology to cases where the associated gas substitutes feedstocks. The Board at its twenty-sixth meeting requested the panel to review the third applicability condition taking into account the emission reduction between the project case, which replaces new plants in an Annex I country, and which does not replace any plant in an Annex I country. The panel agreed that if a project activity replaces a plant (partly or entirely) in Annex I country , then depending on the product, the emission reductions will occur in the Annex I country. In such a situation, that part of the emissions should not be credited to the project activity as they occur in countries that have emission caps. Crediting of these reductions will therefore result in double crediting of emission reductions. The draft revised approved methodology is contained in annex 4.

17. **ACM0014:** The Meth Panel recommended the Board to approve the revision to the approved consolidated methodology ACM0014 expanding the applicability of the approved methodology to greenfield facilities. The revision was undertaken by the panel based on the analysis it undertook following agreement at its thirtieth meeting and the Board's mandate to expand the applicability of methodologies where possible. The panel also requests the Board to take note that a related request for revision, AM_REV_0078, was considered by the panel, but the panel agreed that the proposal did not provide a sufficiently robust procedure to establish the design parameters of the anaerobic lagoon that would have been built in the absence of the project activity and therefore the approach proposed in the request for revision was not incorporated in the draft revised consolidated methodology The draft revised approved methodology is contained in annex 5.

E. Requests from the Board to the Panel

18. The panel requested the Board to take note that it discussed the issues the Board raised regarding the revision of the approved methodology AM0047, recommended to the Board by the panel at its thirtieth meeting. The panel agreed to undertake additional work on the following aspects: (i) estimation of emissions from processing and production of biofuels from cultivated inputs; and, (ii) estimation of emissions for extraction and processing of crude oil to produce fossil fuels. The analysis of the petrodiesel life cycle emissions shall also include emissions from the use of material in establishing crude processing plants, shall be undertaken for different regions and for diesel produced from different raw material such as coal, crude oil, natural gas, etc. The panel agreed to consider the issue at its next meeting taking into account information and results from the above mentioned analysis before making a recommendation to the Board.

19. The panel requested the Board to take note that it considered a first draft of expert inputs on emissions for the cultivation of specific crops, used for biofuels production, in different parts of the world.

F. Issues of general guidance

20. **Establishing baseline SF6 consumption**: The Meth Panel, in its consideration of cases NM0238, NM0251 and NM0252, which are related to substitution, recovery and destruction of SF6 used in various processes, noted that there is a possibility of intentionally increasing the use of baseline SF6 consumption. This is because the revenue from CER attributed to the destruction of SF6 can be an order of magnitude higher than the cost of SF6. Therefore, the panel agreed to request the Board to provide guidance to the project participants that submissions of methodologies relating to the substitution, recovery and destruction of SF6 used in various processes, should provide the following in their submissions: (i) robust procedures to address the possibility of intentional increase of baseline SF6 emissions; and (ii) direct monitoring of all the key parameters that are related to estimation of baseline and project emissions including detailed explanations of key operating conditions and procedures, and an explanation addressing uncertainty.

21. **Voluntary Agreements:** The Meth Panel requested the Board to take note that it discussed the case where project participants implement voluntary agreements through the use of CDM. This was discussed in the context of the case NM0238 and the panel agreed to highlight to the Board that such voluntary agreements can have implications on determining, in particular

the baseline scenario, baseline emissions and additionality. A note explaining the issue is attached as annex 6.

22. **Apportioning project emissions to co-products and by-products:** The panel agreed to recommend the Board to approve guidance on apportioning project emissions between co-product and by-product(s). The panel discussed the proposal on procedures to apportion project emissions between co-products and by-products. The panel noted that along with output, some project activities also produce by-products e.g. in the production of biofuels by-products such as glycerol are produced. While in other project activities co-products or by-products are consumed. The panel agreed that in such cases all the project emissions should not be attributed to the main product only, but should be apportioned between the main product and the by-product(s). The proposed draft guidance to apportionment of project emissions between the main product and by-product(s) is attached in annex 7.

23. **Revision of guidelines to complete CDM-NM and CDM-PDD:** The panel requested the Board to launch a call for public comment on the revised guidelines. The panel will take these into account before finalizing the revision. The panel considered the draft revised "Guidelines for completing the project design document (CDM-PDD), and the proposed new baseline and monitoring methodologies (CDM-NM)". Part III of the guidelines has been updated to reflect guidance provided by the CDM Executive Board relevant to methodological procedures or information regarding project design since version 6 of the guidelines was approved by the Board. Furthermore, part II.B of the guidelines has been revised in order to provide further guidance on how to describe the project activity and the baseline scenario in the CDM-PDD. The draft revision to the guidelines is attached as annex 8.

24. **Further guidance on the use of barrier analysis to demonstrate additionality**: The panel requested the Board to take note that it discussed the concept note for the use of barrier analysis to demonstrate additionality for project activities where the implementation of the project activities may result in significant financial benefits without CDM revenues. The panel agreed with that in situations where the proposed CDM project activity may result in significant financial benefits relative to the baseline excluding CDM revenues, the use of barrier analysis should be substantiated in light of the higher financial benefit. The panel also agreed that such specific substantiation initially should be restricted to Greenfield facilities where the proposed CDM project activities are being implemented. The panel discussed the various options that project participants could use to support the argument that the project activity, despite having a higher IRR without CDM revenues compared to what would have been implemented in absence of the project activity, would still have not overcome the barriers that it faces. The panel agreed to further work on the recommendation taking into account advice from the Board with a view to prepare a draft guidance for the Board at its thirty-second meeting.

G. Issues for information to the Board

25. **AM0018**: the panel discussed the draft revised AM0018 as per the request of the Board. The panel agreed to further discuss the revisions as it identified a number of other issues that need to be explained and clarified in the approved methodology. The panel agreed to finalize its recommendation to the Board at its next meeting.

26. **Tool for estimation of efficiency v/s load curve for baseline equipment:** the panel discussed a draft tool, which could be used for project activities where equipment efficiency improvements are undertaken. The panel agreed to finalize its recommendation to the Board at its next meeting.

27. **Tool for estimating emissions from fossil fuel consumption and electricity consumption**: the panel discussed the possibility of developing a tool for estimating the baseline emissions from fossil fuel consumption and electricity consumption. The panel agreed to finalize its recommendation to the Board at its next meeting.

28. The panel requested the Board to take note that the panel could not consider the Board's request regarding pros and cons for project activities that: (i) reduce the consumption of a raw material, which is produced outside the project boundary; and (ii) where one cannot ensure that the raw material use, which is avoided by the project activity, will not be produced (outside the project boundary). The panel will consider the issue at its thirty-second meeting, with the aim to provide a recommendation to the Board.

29. The panel considered the request made by the Board to analyze the issue of storage of HFC-23 during the downtime of a HFC-23 destruction facility in context of the approved methodology AM0001. The panel agreed to finalize its recommendation to the Board at its next meeting.

30. The panel requested the Board to take note that the panel agreed to undertake a revision of the approved methodology AM0001 to provide more clarity to the procedures. The panel, in analyzing the issue of storage of HFC-23 produced during the downtime of a HFC-23 facility, in the context of the approved methodology AM0001, noted that the methodology needs further clarification on the procedures.

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

31. The Meth Panel confirmed that its thirty-second meeting will be held from 7 to 11 April 2008, as per annex 25 of the thirty seventh meeting of the Board.

32. The Meth Panel reminded project participants that the deadline for the twenty-third round of submissions of proposed new methodologies is 16 April 2008. The Meth Panel also reminded project participants that baseline and monitoring methodologies can be submitted at any time prior to this deadline, which is highly encouraged, as it facilitates speedy consideration.

33. The Meth Panel also reminded the project participants that the deadline for consideration of request for revision and request for clarification at the thirty second meeting to be held from 7 to 11 April 2008 shall be 24 February 2008, 24:00 GMT.

I. Roster of experts

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

External Annexes to the thirty first meeting of the Meth Panel

Annex 1 - Draft reformatted baseline and monitoring methodology based on NM0231

Annex 2 - Draft reformatted baseline and monitoring methodology based on NM0243

Annex 3 - Draft revision of AM0034

Annex 4 - Draft revision of AM0037

Annex 5 - Draft revision of ACM0014

Annex 6 - Note on Voluntary Agreements

Annex 7 - Draft guidance to apportion project emissions between the co-product and by-product(s)

Annex 8 - Revised "Guidelines for completing the project design document (CDM-PDD), and the proposed new baseline and monitoring methodologies (CDM-NM)".

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