

Information Note

The assessment of approved methodologies for their consistency with the “Tool to assess the validity of the original/current baseline and to update the baseline at the renewal of a crediting period”

1. Background

The CDM Executive Board (the Board), at its 46th meeting, approved the “Tool to assess the validity of the original/current baseline and to update the baseline at the renewal of the crediting period”. Along with the approval of the tool, the Board requested the Methodologies Panel (the panel) to assess approved methodologies to check their consistency with the tool and advise the Board on possible implications of revising those approved methodologies requiring reassessment of the baseline scenario at the renewal of the crediting period of a registered project activity.

The panel, at its 39th meeting, allocated 11 methodologies (ACM0001, ACM0002, ACM0006, ACM0010, ACM0012, AM0001, AM0028, AM0029, AM0034, AM0045, AM0051) to the panel members for a detailed assessment as to their consistency with the tool, based on urgency in terms of forthcoming requests for renewal of the crediting period and the frequency at which the methodology is used in projects.

This note summarizes the issues identified while reviewing the above mentioned methodologies and proposes potential solutions.

2. Identified issues

Below is a list of major issues identified while assessing the approved methodologies to check their consistency with the “Tool to assess the validity of the original/current baseline and to update the baseline at the renewal of a crediting period”.

The following table provides an overview of the results from the assessment of the selected 11 methodologies for the two main potential issues that were identified:

- The issue of updating the baseline without updating the baseline scenario;
- The issue of end of lifetime.

Methodology	Identified issues	
	Baseline scenario	Lifetime
ACM0001	x	
ACM0002	x	
ACM0006	x	
ACM0010	x	
ACM0012	x	
AM0001	(x)	x
AM0028	x	
AM0029	x	
AM0034	x	
AM0045	x	
AM0051	x	

Table: List of considered 11 methodologies with an indication of identified issues and inconsistencies with the tool in its current version (Remark: AM0001 does not provide a procedure for the renewal of the

crediting period and is therefore not complying with the requirement to demonstrate the validity of or update the baseline). A discussion of the two main issues is provided in sections 2.1 and 2.2 below.

2.1. Difference between baseline emissions and baseline scenario (“Baseline scenario” issue)

The Sub-step 2.1 of the tool requires updating the current baseline emissions for the subsequent crediting period without reassessing the baseline scenario, based on the latest approved version of the methodology applicable to the project activity.

However, many approved methodologies require reassessing the baseline scenario at the renewal of crediting period.

The panel believes that updating the baseline emissions without reassessing the baseline scenario is technically not possible in some cases. Technically, the baseline emissions are closely linked to the baseline scenario (e.g. a certain technology which is assumed to operate in the baseline). For example, a fuel or feedstock used in the baseline may not be available anymore at the renewal of the crediting period or a certain baseline technology may not be used anymore at all in the sector because a new technology has emerged during the crediting period. In this case, the continued assumption of the same baseline scenario (i.e. the same fuel, feedstock or technology) could potentially result in the calculation of unrealistic baseline emissions.

For some other project types (e.g. greenfield renewable power generation) an update of the baseline emissions without reassessing the baseline scenario is unproblematic. For example, in the case of greenfield renewable power projects, an update of the grid emission factor would be sufficient and an explicit re-assessment of the baseline scenario is not necessary.

Also, the reassessment of the baseline scenario is not a reassessment of the additionality of the project as carried out at the validation of the project activity. In particular, for projects where the original baseline scenario consists of an alternative investment (e.g. in a less efficient reference plant), the update of the baseline scenario at the renewal of the crediting period has to take into account that in the baseline a new plant would have been built which would continue to operate (and that e.g. would not be replaced by a more efficient plant after seven years, even though in the mean time the implementation of plants of higher efficiency might have become current practice).

The panel therefore recommends to consider a possibility to revise the tool and to refer to an update of both the baseline scenario and the corresponding baseline emissions, noting that an update of the baseline scenario is not required for all project types. This differs according to the specific (technical) situation of the project activity. The panel therefore recommends to determine, at the methodology level, which project types require a re-assessment of the baseline scenario and which project types do not. The draft proposal indicating which paragraphs should be considered for revision of the tool is part of the note.

2.2. Technical possibility of continuation of the use of current baseline equipment(s) (“Lifetime” issue)

The Sub-step 1.3 of the tool requires that the current baseline needs to be updated if the end of technical lifetime of the baseline equipment is earlier than the end of the crediting period for which renewal is requested.

Most approved methodologies comply with this by limiting the crediting of emission reductions to the end of the technical lifetime of the baseline equipment, in line with earlier guidance on this matter by the Board (EB 08, Annex 1 and EB 22, Annex 2). The panel recommends that this option can be continued to be used next to the possibility of an explicit update of the baseline. The panel therefore recommends the following clarification to existing text in the tool (Sub-step 1.3):

If the remaining end of technical lifetime of the baseline equipment is less earlier than the end of the crediting period for which renewal is requested, then the current baseline needs to be updated for this crediting period, or the crediting of emission reductions should be limited to the end of the technical lifetime of the baseline equipment, as per the guidance in the underlying methodology.

3. Other issue: Sections of the methodology to be used to update the CDM-PDD at the renewal of crediting period

The procedures for renewal of the crediting period of a registered CDM project activity state that the project participants shall update those sections of the project design document (CDM-PDD) relating to the baseline, estimated emission reductions and the monitoring plan using an approved baseline and monitoring methodology. The panel notes that this guidance may not be fully clear with regard to which exact sections of the CDM-PDD this refers to. Given that the latest version of a methodology should be applied at the renewal of the crediting period (which may include some updated guidance compared to earlier versions), the panel believes that it is important that all sections of the CDM-PDD be updated, except of the additionality section which is only relevant for the registration. The panel therefore recommends the EB to clarify that all sections of the CDM-PDD should be updated except for the section which assesses the additionality of the project activity.

4. Draft proposal of the changes to the “Tool to assess the validity of the original/current baseline and to update the baseline at the renewal of a crediting period”

This tool provides a stepwise procedure to assess the continued validity of the baseline and to update the baseline at the renewal of a crediting period, as required by paragraph 49 (a) of the modalities and procedures of the clean development mechanism.

The tool consists of two steps. The first step provides an approach to evaluate whether the current baseline is still valid for the next crediting period. The second step provides an approach to update the baseline in case that the current baseline is not valid anymore for the next crediting period.

Step 1: Assess the validity of the current baseline for the next crediting period

The “Procedures for the renewal of the crediting period of a registered CDM project activity” approved by the CDM Executive Board require assessing the impact of new relevant national and/or sectoral policies and circumstances on the baseline.

The validity of the current baseline is assessed using the following Sub-steps:

Step 1.1: Assess compliance of the current baseline with relevant mandatory national and/or sectoral policies

If the current baseline complies with all relevant mandatory national and/or sectoral policies which have come into effect after the submission of the project activity for validation or the submission of the previous request for renewal of the crediting period and are applicable at the time of requesting renewal of the crediting period, go to Step 1.2.

If the current baseline does not comply with relevant mandatory national and/or sectoral policies, then assess based on the examination of current practice in the country or region in which the policies apply, whether those policies are systematically not enforced and that non-compliance with those requirements is widespread in the country or region.

If the current baseline is not in compliance with the relevant mandatory national and/or sectoral policies or if it cannot be shown that the policies are systematically not enforced and that non-compliance with those policies is widespread in the country or region, then the current baseline needs to be updated for the subsequent crediting period.

Step 1.2: Assess the impact of circumstances

Assess the impact of circumstances existing at the time of requesting renewal of the crediting period on the current baseline emissions, **without reassessing the baseline scenario.**

If the new circumstances make a continued validity of the current baseline not plausible, then the current baseline needs to be updated for the subsequent crediting period.

Step 1.3: Assess whether the continuation of the use of current baseline equipment(s) is technically possible

This Sub-step should only be applied if the baseline is the continuation of the current practice.¹

Assess whether the remaining technical lifetime of the equipment that would have continued to be used in the absence of the project activity, as determined in the CDM-PDD or CDM-PDD-REN, exceeds the crediting period for which renewal is requested.

If the remaining end of technical lifetime of the baseline equipment is less earlier than the end of the crediting period for which renewal is requested, then the current baseline needs to be updated for this crediting period or the crediting of emission reductions should be limited to the end of the technical lifetime of the baseline equipment, as per the guidance in the underlying methodology.

¹ This applies, for example, to project activities that i) reduce the release of waste gases (e.g. HFC-23, N₂O, CH₄) which would have continued to be released in the absence of the project activity; ii) retrofit a plant which would have continued to operate in the same manner in the absence of the project activity; iii) construct a new plant where, in the absence of the project activity, the project participants would not have constructed the plant but where the product (e.g. electricity, cement, aluminium, etc) would have been generated in other existing plants and/or in new plants constructed by third parties elsewhere.

Step 1.4: Assessment of the validity of the data and parameters

Assess whether data and parameters that were only determined at the start of the crediting period and not monitored during the crediting period are still valid or whether they should be updated. Updates should be undertaken in the following cases:

- Where IPCC default values are used, the values should be updated if any new default values have been adopted and published by the IPCC, for example, in guidelines for national GHG inventories, IPCC assessment report or special reports by the IPCC;
- Where emission factors, values or emission benchmarks are used and determined only once for the crediting period, they should be updated, except if the emission factors, values or emission benchmarks are based on the historical situation at the site of the project activity prior to the implementation of the project and can not be updated because the historical situation does not exist anymore as a result of the CDM project activity.

If any of the data and parameters that were only determined at the start of the crediting period and not monitored during the crediting period are not valid anymore, the current baseline needs to be updated for the subsequent crediting period.

If the application of Steps 1.1, 1.2, 1.3 and 1.4 confirmed that the current baseline as well as data and parameters are still valid for the subsequent crediting period, then this baseline, data and parameters can be used for the renewed crediting period. Otherwise, proceed to Step 2.

Step 2: Update the current baseline and the data and parameters

This step is only applicable if any of the Steps 1.1, 1.2, 1.3 and/or 1.4 showed that the current baseline needs to be updated.

Step 2.1: Update the current baseline

Update the current baseline ~~emissions~~ for the subsequent crediting period, ~~without reassessing the baseline scenario, based on as per the guidance in~~ the latest approved version of the methodology applicable to the project activity. The procedure should be applied in the context of the sectoral policies and circumstances that are applicable at the time of request for renewal of the crediting period.

Step 2.2: Update the data and parameters

If the application of Step 1.4 showed that the data and/or parameter(s) that were only determined at the start of the crediting period and not monitored during the crediting period are not valid anymore, project participants should update all applicable data and parameters, following the guidance in Step 1.4.
