REPORT OF THE FORTY-FIFTH MEETING OF THE METHODOLOGIES PANEL

Langer Eugen, Bonn, Germany
9 - 13 August 2010

RECOMMENDATIONS BY THE METHODOLOGIES PANEL TO THE CDM EXECUTIVE BOARD

A. Opening of the meeting and adoption of the agenda

1. The Chair of the Methodologies Panel (the panel), Mr. Lex de Jonge opened the meeting.

2. The agenda was adopted as proposed.

3. The panel expressed its deep appreciation for the contributions of the outgoing member, Mr. Lambert Schneider.

B. Consideration of proposed new methodologies

4. The panel considered the proposed new methodologies listed in the table below, as well as desk reviews and public inputs received, where applicable.

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

6. In accordance with the procedures for the 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 four weeks shall be considered at the next meeting of the panel. If project participants do not provide clarification related to the preliminary recommendation by the panel within the timeframe of three months, the case will be considered withdrawn.

7. The panel agreed on the following recommendations:

Table 1: Proposed new methodologies

Proposed new methodology	Recommendation[1]
NM0302: Emission reductions in the cement production facilities of Holcim Ecuador S.A	**WIP (see paragraph 8(a))**
NM0310: Carbon di-oxide emission reductions by the introduction of Hot Direct Reduction Iron in the Electric Arc Furnaces	**C**
NM0312: REFAP HBIO Project	**A (see annex 1 and paragraph 9)**
NM0320: Modal shift transportation for less intensive GHG emission	**A (see annex 2)**
NM0328: Energy efficiency and fuel switching measures in new buildings	**WIP (see paragraph 8(b))**

[1] Recommendations on the proposed new methodologies from the panel A (recommended for approval) and C (recommended for non-approval) are final recommendations to the Board. Preliminary Recommendations are technical clarifications requested by the panel from project participants before finalizing its recommendation to the Board.

8. The panel requested the Board to take note that it could not conclude its consideration of the following proposed new methodologies:

(a) NM0302 "Benchmark methodology for cement and clinker manufacturing" because issues concerning the levels of the benchmarks for clinker and cement manufacturing require further consideration. The panel agreed to continue the consideration of the methodology at its next meeting.

(b) NM0328 "Energy efficiency and fuel switching measures in new buildings" because the panel will seek feedback from project participants on several issues, including: (i) Separate additionality provisions for fuel switching measures; (ii) Double counting of CERs in case the energy efficient appliances used under the project activity are sourced from a registered CDM project activities; (iii) Accounting for socio-economic factors in determining the benchmark. The panel agreed to continue the consideration of the methodology at its next meeting.

9. The panel requested to the Board to editorially revise the "Guidelines on apportioning emissions from production processes between main product and co- and by-products" in order to make it applicable the draft methodology NM0312 "REFAP HBIO Project" which was recommended for approval by the Board (see paragraph 7). The draft editorially revised guidelines are contained in annex 7.

C. Requests for clarification on and revision to approved methodologies

10. The panel requested the Board to take note of the following responses to requests for clarification related to the application of approved baseline and monitoring methodologies and methodological tools and approve the following responses to requests for revision to approved methodologies. The requests submitted and the responses provided by the panel are made publicly available on the UNFCCC CDM website at <http://cdm.unfccc.int/goto/MPclar> and <http://cdm.unfccc.int/goto/MPrev>, respectively. The requests for revision/clarification that resulted in a recommendation by the panel to revise an approved methodology are reflected in section D below.

Table 2: Request for clarification

Number of the request for clarification	Approved methodology	Title of the request for clarification	MP response
AM_CLA_0187	**AM0034**	Clarification for calculation of average historic campaign length (CLnormal) and application of N_2O concentration over the upper limit of QAL 2 valid Range	**Clarified**
AM_CLA_0188	**ACM0013**	Clarification on the term cogeneration with respect to the benchmark sample group	**Clarified and revised (see paragraph 17)**
AM_CLA_0189	**ACM0007**	Conversion of Open Cycle Gas Turbines to Combined Cycle mode at Kallpa Thermoelectric Power Plant	**Clarified**

Table 3: Requests for revision

Number of the request for revision	Approved methodology	Title of the request for revision	MP response
AM_REV_0141	AM0024	Extension of methodology AM0024 to cases where the project activity displaces both grid electricity and electricity from an identified power generation source	**WIP (see paragraph 11)**
AM_REV_0145	ACM0006	Propose a new scenario (scenario 22) to include the situation in which biomass residues and fossil fuels are used in the baseline scenario	**To revise (see paragraph 12)**
AM_REV_0149	ACM0014	Alternative Approach to Appendix II for estimation of the Chemical Oxygen Demand that is lost through sedimentation, and correction of equation 17 in ACM0014 version 03, page 17/37	**Not to revise**
AM_REV_0157	ACM0012	The applicability of the methodology has been expanded to accommodate the usage of waste energy for supply of heat of reaction with or without process heating	**WIP (see paragraph 13)**
AM_REV_0169	ACM0006	Amplification of applicability by the addition of a new project scenario based on a new combination of the existing alternative baseline scenarios	**To revise (see paragraph 12)**
AM_REV_0172	ACM0006	Combination of baseline scenarios	**Not to revise**
AM_REV_0177	ACM0006	Inclusion of a new scenario for biomass residue based project activities which use fossil fuels during non- availability of the biomass residues, through the inclusion of new alternatives for power and heat (P12 and H11)	**To revise (see paragraph 12)**
AM_REV_0180	ACM0006	Expansion of ACM0006 to include a new scenario for fuel switch project	**To revise (see paragraph 12)**
AM_REV_0183	ACM0006	Propose a new scenario (scenario 23) to include the situation which less biomass is used than the project scenario	**To revise (see paragraph 12)**

AM_REV_0190	**AM0070**	Revision to facilitate the calculation of benchmarks based on data available to PPs and definition of default values	**WIP (see paragraph 14)**
AM_REV_0195	**AM0050**	Revision to expand the scope of AM0050 methodology to include different conditions, data sources etc	**Not to revise**
AM_REV_0196	**ACM0006**	Expansion of ACM0006 to include a new scenario	**To revise (see paragraph 12)**

11. The panel requested the Board to take note that it could not conclude its consideration of the request for the revision AM_REV_0141 as the ongoing work of the consolidation of the methodology AM0024 "Methodology for greenhouse gas reductions through waste heat recovery and utilization for power generation at cement plants" with the methodology ACM0012 "Consolidated baseline methodology for GHG emission reductions from waste energy recovery projects" could not be finalized. The panel expects to conclude its consideration of both methodologies at its next meeting.

12. The panel requested the Board to take note that the following request for revisions: AM_REV_0145, AM_REV_0169, AM_REV_0177, AM_REV_0180, AM_REV_0183, and AM_REV_0196 were included in the overall revision and deconsolidation of the methodology ACM0006 "Consolidated methodology for electricity generation from biomass residues" (see paragraph 16).

13. The panel requested the Board to take note that it could not conclude its consideration of the request for revision AM_REV_0157 related to the methodology ACM0012 "Consolidated baseline methodology for GHG emission reductions from waste energy recovery projects". The methodology could not be revised during this meeting due to several issues still requiring consideration. The panel intends to include the approach contained in the request for revision in the ongoing revision of the methodology ACM0012 at its next meeting.

14. The panel requested the Board to take note that it could not conclude its consideration of the request for revision AM_REV_0190 on the methodology AM0070 "Manufacturing of energy efficient domestic refrigerators". The following issues are still to be addressed: (i) The adequacy of the default values for adjustment factor, and freezer to total storage ratio; and (ii) The threshold used for the minimum share of labeled refrigerators. The panel intends to conclude its consideration of the request for revision at its next meeting.

D. Revision to approved methodologies

15. ACM0002 "Consolidated baseline methodology for grid-connected electricity generation from renewable sources"

The panel noted that the methodology ACM0002 refers to the term "existing reservoir" without providing an approach to determine whether a reservoir is an "existing reservoir". The panel recommended that a reservoir may be considered as an "existing reservoir" if it has been in operation since at least three years before the start date of the project activity. The panel agreed to revise the methodology in order to apply the above-mentioned clarification. The draft revised methodology is contained in annex 3.

16. ACM0006 "Consolidated methodology for electricity generation from biomass residues in power and heat plants"

The panel recommended the Board to approve a revision to the methodology ACM0006 including a change of its title to "Consolidated methodology for electricity and heat generation from biomass residues". The revision *inter alia* removes the scenario-based approach to determining applicability and provides an overall change in approach for determining baseline emissions and project emissions. The draft revised methodology is applicable to project activities that operate biomass-residue (co-)fired power-and-heat plants including:

- The installation of new plants at a site where currently no power and heat generation occurs (greenfield projects);
- The installation of new plants that replace or are operated next to existing plants (capacity expansion projects);
- The improvement of energy efficiency of existing plants (energy efficiency improvement projects), which can also lead to a capacity expansion;
- The total or partial replacement of fossil fuels by biomass residues in existing plants or in new plants that would have been built in the absence of the project (fuel switch projects).

The draft revised methodology is contained in annex 4. The panel requested the secretariat to identify and cross-reference all data required for the calculation of baseline, project and leakage emissions, and to annex this to the draft revised methodology.

17. ACM0013 "Consolidated baseline and monitoring methodology for new grid connected fossil fuel fired power plants using a less GHG intensive technology"

The panel recommended the Board to approve a revision to the methodology ACM0013 based on elements from the request for clarification AM_CLA_0188. The draft revision: (i) Includes a definition of cogeneration plants; (ii) Clarifies that the referential point in time for historical data, required in the calculation of baseline emissions, is the date of submission of the PDD for validation of the project activity; (iii) Broadens the applicability of the methodology to power plants that fire other fuel categories, than the main fuel, for start-up or auxiliary purposes; and (iv) Includes minor editorial improvements. The draft revised methodology is contained in annex 5.

18. ACM0017 "Production of biodiesel for use as fuel"

The panel recommended the Board to approve a revision to the methodology ACM0017 to make it consistent with small scale methodologies. The draft revision clarifies that the methodology is not applicable for the dedicated plantations established on the peatlands; and that the possibility to account for the CO_2 emissions resulting from changes in soil carbon stocks as zero applies only to perennial plants. The draft revised methodology is contained in annex 6.

E. Requests from the Board to the Meth Panel

19. AM0029 "Methodology for grid connected electricity generation plants using natural gas"

In response to the request contained in paragraph 78 of the report of the fifty-fifth meeting of the Board, the panel considered whether projects applying the methodology AM0029 may include heat production if they do not claim emission reductions from the displacement of more GHG intensive heat .

20. The panel noted that the methodology AM0029 is not applicable to cogeneration projects. However, consideration of the specific features of the project activity "1373: Beijing No.3 Thermal Power Plant Gas-Steam Combined Cycle Project Using Natural Gas", in particular, that the project has almost thirty-six months of operational history as a power only facility; and that the DOE has determined that additionality of the project is not affected by a switch to a cogeneration facility,

allowed the panel to recommend to the Board that the above-mentioned project activity may, for this exceptional case, continue to apply the methodology AM0029 after switch to a cogeneration facility under the following conditions:

(a) All GHG emissions by sources attributable to the project activity (production of power as well as heat) shall be considered as attributable to the power generation hence, accounted for as project emissions;

(b) The annual amount of CERs to be issued to the project activity shall be capped at average annual amount of CERs issued to the project during its operation as a power only facility.

21. The panel additionally clarified that applicability conditions of an approved methodology for large scale CDM project activities are designed in such a way that they define a typical project activity to which the methodology is applicable. Consequently, if a project type is not explicitly excluded by applicability conditions of a methodology then it does not necessarily mean that the methodology applies to this project.

22. "Tool to assess the validity of the original/current baseline and to update the baseline at the renewal of the crediting period", an annex to the "Procedures for renewal of the crediting period of a registered CDM project activity".

The panel requested the Board to take note that in response to the request contained in paragraph 32 of the report of the forty-sixth meeting of the Board, it assessed 11 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". The panel agreed that revising the approved methodologies to apply the above tool may be technically difficult and inconsistent. The panel requested the Board to take note of the information note highlighting the issues and providing examples and proposals for a solution as contained in annex 8.

23. "Combined tool to demonstrate additionality and identify the baseline scenario"

The panel requested the Board to take note that it considered the issues contained in paragraph 35 of the report of the forty-eighth meeting of the Board with regard to the revision proposed by the panel of the "Combined tool to demonstrate additionality and identify the baseline scenario". The panel agreed to recommend to the Board to revise the tool in order to broaden its applicability, to further ensure its consistency with the "Tool for the demonstration and assessment of additionality", and to include some minor editorial improvements. The draft revised tool is contained in annex 9.

While working on the revision of the "Combined tool to demonstrate additionality and identify the baseline scenario", the panel considered other approaches, beyond the further revision of the tool, which could allow for identification of the baseline scenario in a systematic and streamlined manner for different project types. Based on this work, the panel agreed to request the Board to take note that it started the development of a guidance or a tool for determination of the baseline scenario.

24. "Tool to calculate the emission factor for an electricity system"

The panel requested the Board to take note that it considered the request contained in paragraph 25 of the report of the fifty-fourth meeting of the Board and agreed to the information note contained in annex 10.

25. "Tool to determine the weighted average cost of capital"

The panel requested the Board to take note that the panel will continue its consideration of the issues contained in paragraph 28 of the report of the fifty-fifth meeting of the Board with regard to the "Tool to determine the weighted average cost of capital" when the consultants work on

accommodating the comments received from stakeholders is available, with a view to recommend a final version for approval at its forty-sixth meeting.

26. The panel requested the Board to take note that it considered the issues contained in paragraph 21 of the forty-ninth meeting of the Board with regard to the revision of approved methodologies to further improve their objectivity, applicability, usability and consistency. The panel agreed to assess approved methodologies with respect to identification of cases: (i) Where conservatively selected default values could replace complex or time consuming monitoring procedures; and (ii) Where simplification might be possible by replacing elements of the methodology with discount factors if this would result in a conservative outcome. The panel further agreed to report on it at its next meeting

27. The panel requested the Board to take note that it considered issues related to identification of abnormal campaigns in the context of the methodology AM0034 "Catalytic reduction of N_2O inside the ammonia burner of nitric acid plants". The panel agreed to recommend to the Board that:

Abnormal campaign is an event when:

(a) The gauze does not achieve an ammonia conversion efficiency of 90% for at least 90% of the time duration of the design campaign; or

(b) Physical damage to the primary catalyst is observed, resulting in replacement of the catalyst.

For historical campaigns occurring before implementation of the project activity if more than two campaigns in the five historical campaigns immediately preceding baseline campaign meet the above definition, only the two of them characterized with the lowest nitric acid production shall be deemed abnormal.

28. The panel requested the Board to take note that it considered the issues raised in annex 19 of the fifty-fifth meeting of the Board with regard to the work on HFC projects. The panel agreed to the scope of work needed to meet the request from the Board and identified steps to be followed. The panel intends to discuss the first outputs in its next meeting.

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

29. The panel confirmed that the tentative date for its 46th meeting is 25 - 29 October 2010, as per annex 44 of the report of the 55th meeting of the Board.

30. The panel agreed to recommend that the date for the deadline for the 37th round of submissions of proposed new methodologies to be considered at 47th meeting of the panel (the first meeting in 2011) shall be 8 November 2010. The panel reminded project participants that baseline and monitoring methodologies could be submitted at any time prior to this deadline in order to be considered at the forty-seventh Meth Panel meeting.

31. The panel also informed project participants that the deadline for submission of requests for revision and requests for clarification to be considered at the 46th meeting to be held from 25 - 29 October 2010 shall be 30 August and 13 September 2010, 24:00 GMT, respectively. This supersedes the information provided in paragraph 41 of the forty-fourth Meth Panel meeting report.

Annexes to the external report of the forty-fifth meeting of the Methodologies Panel

Annex 1: Draft reformatted baseline and monitoring methodology based on NM0312

Annex 2: Draft reformatted baseline and monitoring methodology based on NM0320

Annex 3: Draft revision of ACM0002 "Consolidated baseline methodology for grid-connected electricity generation from renewable sources"

Annex 4: Draft revision of ACM0006 "Consolidated methodology for electricity generation from biomass residues"

Annex 5: Draft revision of ACM0013 "Consolidated baseline and monitoring methodology for new grid connected fossil fuel fired power plants using a less GHG intensive technology"

Annex 6: Draft revision of ACM0017 "Production of biodiesel for use as fuel"

Annex 7: Draft editorial revision of the "Guidelines on apportioning emissions from production processes between main product and co- and by-products"

Annex 8: Information note on the "Tool to assess the validity of the original/current baseline and to update the baseline at the renewal of a crediting period"

Annex 9: Draft revision of the "Combined tool to demonstrate additionality and identify the baseline scenario"

Annex 10: Information note on the "Tool to calculate the emission factor for an electricity system"

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