Draft editorial amendment to the Methodological Tool

"Assessment of the ~~V~~validity of the original/current baseline and ~~to~~ update of the baseline at the renewal of the crediting period*"

(Version 03.0.1)

~~SECTION A~~

~~I. Background and scope~~

~~1. The clean development mechanism (CDM) Executive Board (hereinafter referred to as the Board), at its twenty-eighth meeting approved the "Procedures for renewal of the crediting period of a registered CDM project activity". At its fifty-sixth meeting, the Board requested the Methodologies Panel (Meth Panel) to adjust all methodologies which are identified as not complying with the Board's ruling on the reassessment of baseline scenario, by removing the reference to the reassessment of the baseline scenario.~~

~~2. The Meth Panel, at its fifty-first meeting, discussed the possible need to provide further guidance in the tool, concerning the consideration of changes in circumstances at the renewal of the crediting period. The panel did not reach consensus on this matter and, therefore, agreed to report two different views to the Board. In addition, a draft amendment of the tool was forwarded to the Board for its consideration.~~

~~3. The Board, at its sixty-third meeting, requested the secretariat to work further on the tool and prepare a draft revised version of the tool for consideration by the Board at its sixty-fifth meeting, taking into account the views expressed by the Board members.~~

~~4. This information note is prepared in response to the aforesaid request. The information provides further background information on this issue and proposes a new draft amendment to the tool, as contained in the appendix to this information note.~~

~~5. The proposed amendment of the tool provides further guidance for the specific situation where the identified baseline scenario is the continuation of current practice with no investment or expense required to maintain the current situation. In this situation, further guidance regarding the assessment of specific circumstances is proposed.~~

~~II. Analysis of the issue~~

~~6. There are different scenarios that could be identified as the baseline scenario for a CDM project activity. For the purpose of the renewal of the crediting period, it is important to differentiate between the following scenarios:~~

~~(a) The project participants would undertake in the baseline scenario an alternative investment to provide comparable outputs or services. For example, this may apply to a project activity which involves the construction of a new off-grid captive power plant that serves the electricity demand of an industrial facility;~~

~~(b) The project participants do not undertake an investment but an investment to provide comparable outputs or services is undertaken by a third party (or parties). For example, this may apply to a project activity constructing a greenfield renewable power plant~~

~~* Section A of this document will be omitted if approved by the Board.~~

where in the baseline scenario third parties may construct new power plants in the grid to satisfy the electricity demand;

(c) Neither the project participants nor a third party undertakes an investment. This situation is commonly referred to as the "continuation of the current practice" in baseline methodologies. It occurs only for types of project that do not lead to an increase of production of output. For example, this may apply to a fuel switch project, where in the baseline the same fuel would continue to be used;

(d) At the start of the project activity, no investment would be undertaken in the baseline scenario, as in (c) above. However, at a later point in time during the crediting periods, either the project participants – the situation in (a) – or a third party may undertake an investment – the situation in (b). A typical example is a situation where a currently used boiler would continue to be used up to the end of its technical lifetime that will occur before the end of the crediting period. After the end of its technical lifetime, the project participants would undertake an investment.

7. The tool specifies that, at the renewal of the crediting period, the baseline scenario should not be reassessed but there should be an assessment of whether the baseline emissions will be affected. In such case, the baseline emissions should be updated. The tool considers four different aspects that may affect baseline emissions:

(a) Assessment of the compliance of the current baseline with relevant mandatory national and/or sectoral policies;

(b) Assessment of the impact of circumstances;

(c) Assessment whether the continuation of the use of current baseline equipment(s) is technically possible;

(d) Assessment of the validity of the data and parameters.

8. Where an alternative investment would be undertaken by the project participants or a third party, this assessment is relatively straightforward. In such cases, usually the investment in the baseline scenario has a similar technical lifetime as the investment undertaken in the project activity. Given that this investment was undertaken at the start of the project activity in the baseline scenario, the emission factor of the baseline technology will usually not change, as the baseline plant would continue to run throughout the project lifetime. In most cases, the emission factor of the baseline technology will therefore not change significantly. In this situation, in most methodologies, the same baseline emission factor is used throughout all crediting periods. In some cases, methodologies specify that the emission factor may change if the impact of the project may change over time. This applies, for example, to some projects using the grid emission factor.

9. In the situation where no investment would be undertaken in the baseline scenario at the start of the project activity, updating the emission factor may involve changes over time, as the baseline scenario may involve different courses of action over a period of 21 years.

10. This is illustrated with the following example: the project activity involves a multi-fuel boiler where, prior to the implementation of the project activity, oil has been used. Under the project activity, a renewable energy source (biogas or biofuel) is used. The baseline scenario is: no investment is undertaken. The baseline is the use of a more carbon intensive fuel. For the first years of the crediting period, oil would be used as baseline fuel, as oil is significantly cheaper than other fuels in the market. At the renewal of the crediting period, a new natural gas field was explored and natural gas becomes available at the site of the project activity. The project participants continue to use renewable energy as a fuel, but would, in the absence of the project activity, use natural gas as baseline fuel, as this fuel has

~~become available or has become cheaper than oil. In this case, the baseline scenario is the same, i.e. no investment is undertaken, but the baseline fuel should be updated, as the fuel type would change.~~

~~11. To address this particular situation, it is recommended that the current tool be amended and additional language be provided to specify which circumstances should be taken into account in this situation. The proposed change will not affect projects where an investment would be undertaken in the baseline scenario to provide the comparable outputs or services.~~

~~SECTION B~~

~~"Tool to assess the validity of the original/current baseline and to update the baseline at the renewal of a crediting period"~~

I. SCOPE AND APPLICABILITY

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.

II. METHDOLOGY PROCEDURE

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.

In the situation where the baseline scenario identified at the validation of the project activity was the continuation of the current practice without any investment, an assessment of the changes in market characteristics is required for the renewal of the crediting period.

Evaluate whether the conditions used to determine the baseline emissions in the previous crediting period are still valid. Assess the availability of new fuels or raw materials and the impact of electricity or fuel prices in the identification of the current practice for the baseline emissions;

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 use of current baseline equipment(s) or an investment is the most likely scenario for the crediting period for which renewal is requested.

This sub-step should only be applied if the baseline scenario identified at the validation of the project activity was the continuation of use of the current equipment(s) without any investment and, the projects proponents or third party (or parties) would undertake an investment later due, for example, to the end of the technical lifetime of the equipment(s) before the end of the crediting period or the availability of a new technology.

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.

Take into consideration the market penetration of different technologies. Evaluate the penetration rate of different technologies that are available in the market and evaluate how they could affect the baseline.

If the baseline scenario of the project activity is the continuation of use of the current equipment(s) without any investment and the projects proponents or third party(ies) will undertake an investment later, but before the end of a crediting period, then the current baseline needs to be updated for that crediting period or the crediting of emission reductions should be limited to the period before the baseline equipment would cease its operation.

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 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.

- - - - -

Version	Date	Nature of revision(s)
03.0.1	EB 66, Annex # 2 March 2012	Editorial amendment to remove background information and change the title from “Validity of the original/current baseline and to update the baseline at the renewal of a crediting period” to "Assessment of the validity of the current/original baseline and update of the baseline at the renewal of the crediting period".
03.0.0	EB 65, Annex 20 25 November 2011	Revision prepared in response to the request contained in paragraph 91 of the report of the sixty-third meeting of the Board, specifies which circumstances should be taken into account at the renewal of the crediting period for project activities where no investment is undertaken in the baseline scenario.
02.0.0	EB 63, Annex 20 29 September 2011	Revision to allow for an option to limit the crediting period to the end of the technical lifetime of the baseline equipment. Version 01 of this tool was published in the “Procedures for renewal of the crediting period of a registered CDM project activity” (EB 46, annex 11). It is now being published as a separate document.
01	EB 46, Annex 11 25 March 2009	Initial adoption.
Decision Class: Regulatory **Document Type**: Tool **Business Function**: Methodology		