

## Information note

### Review of large scale methodologies for their application to programme of activities

#### I. BACKGROUND

1. At its sixty-third meeting, the CDM Executive Board (the Board) approved three standards on programme of activities (PoA):
  - (a) “Standard for the demonstration of additionality of GHG emission reductions achieved by a programme of activities”;
  - (b) “Standard for the development of eligibility criteria for the inclusion of a project activity as a CPA under the PoA”;
  - (c) “Standard for application of multiple CDM methodologies for a programme of activities”.
2. These three standards were subsequently merged into one standard called the “Standard for the demonstration of additionality, development of eligibility criteria and application of multiple methodologies for programme of activities” approved at the sixty-fifth meeting of the Board. At the sixty-fifth meeting, the Board also approved the “Standard for sampling and surveys for CDM project activities and a programme of activities”.
3. In addition, at its sixty-third meeting, the Board requested the Meth Panel to review the large-scale methodologies and assess whether additional requirements are needed within these methodologies, in the context of their use under PoA, for consideration of the Board at a future meeting.
4. In response to this request, at its fifty-third Meth Panel meeting, the Meth Panel agreed to a work plan for the review of large-scale CDM methodologies. Twenty large-scale methodologies have been initially selected to be reviewed. These selected methodologies include those that are either the most frequently used to develop CDM project activities or are already used to develop PoAs. The selected methodologies have been reviewed against four main criteria:
  - (a) High likelihood to result in high heterogeneity of CPAs;
  - (b) Difficulty to translate additionality into clear, effective and unambiguous eligibility criteria for CPA inclusion;
  - (c) Sampling and less scrutiny during verification could pose a risk to environmental integrity;
  - (d) High likelihood of generation of a large volume of CERs for all CPAs, which could pose a risk to environmental integrity given the less rigorous treatment with respect to inclusion of CPAs and verification.
5. The selected methodologies were reviewed by the Meth Panel against the above mentioned criteria. During the review process, a number of issues were identified that may need to be considered when allowing for the application of these large scale methodologies under PoAs. Based on the identified issues, the Meth Panel categorized the methodologies that were evaluated into three categories, which should be treated differently. In addition, recommendations on how to address the identified issues have been developed.

## II. ISSUES IDENTIFIED

6. The assessment of the 20 methodologies highlighted several important issues when large scale methodologies are to be used under PoAs. These issues are as follows:
- (a) Utilizing the concept of PoAs provides for several benefits and simplifications for CDM project activities. These benefits/simplifications can be categorized into methodological (e.g. providing eligibility criteria for additionality demonstration) and procedural benefits (e.g. reduction of registration time), both of which have an impact on the reduction of the transaction costs of the CDM cycle. For some large scale methodologies, however, it would not be possible to benefit from the methodological simplifications and provide for comprehensive eligibility criteria, because some parameters may be specific to each CPA (e.g. AM0031). Therefore, each CPA would have to be assessed similar to the case of a single CDM project activity. If such methodologies are applied under PoAs, the project activity would only benefit from procedural simplifications, i.e. less scrutiny at validation and registration. The Meth Panel recommends the Board to consider not allowing such methodologies under PoAs, as this was not the intention of the concept of PoAs;
  - (b) The current standards do not allow for applying a sampling plan covering a group of CPAs applying a large scale methodology. Therefore, a PoA using large scale methodologies will only benefit from simplified validation, registration and methodological simplifications;
  - (c) For some methodologies, the eligibility criteria are highly sensitive to the changes in energy prices, technology development and market circumstances. Therefore, the Meth Panel is of the view that in case such methodologies are used under PoAs, the eligibility criteria in the PoA DD should be updated more frequently than specified in the current standards where such criteria are updated at the renewal of the crediting period under normal circumstances. The proposed frequency for the updates of the eligibility criteria is every one or two years;
  - (d) For some methodologies, the CPAs can be highly heterogeneous (e.g. ACM0012 can cover entirely different industries). The Meth Panel is of the view that in such cases, it would be required to identify several types of CPAs and define eligibility criteria for each type in the PoA-DD. The usability of such criteria could be demonstrated for each type in the generic CPA-DD to allow for its assessment by the Board prior to registration;
  - (e) The current standards allow the Board to request for an update of the eligibility criteria in case of a threat to environmental integrity. However, the standards do not require for the update of monitoring requirements or emission reductions calculations in case a problem is identified in the methodology and its revision is initiated without putting the methodology on hold. Therefore, with the intention of preserving environmental integrity, the Meth Panel recommends the Board to revise the standards by specifying that any substantial revision in a methodology shall initiate a revision of the eligibility criteria of the PoA-DD, monitoring and emission reduction calculations, if the revision changes the requirements for these. In addition, the Meth Panel recommends to define a maximum emission reduction threshold per CPA, above which no CPAs should be allowed to be included, but be registered as an individual CDM project activity instead. For example, this threshold could be an annual expected amount of CERs generated by an individual project activity, such as 100,000, 200,000 or any other amount of CERs, such as double or triple the amount of the threshold for type III small scale CDM projects;

- (f) The Board may consider applying a threshold to specific types of methodologies. The Board may also consider not to restrict the amount of CERs per CPA, in case of methodologies where environmental integrity is not at risk;
- (g) Some methodologies are very complex where high cross effects between mitigation measures would not allow for the definition of eligibility criteria. The Meth Panel recommends the Board to consider limiting the CPAs under such complex methodologies to single measures which can be replicated in several similar plants or facilities.

### III. ASSESSMENT OF METHODOLOGIES

7. Based on the issues identified above, the Meth Panel categorized the 20 assessed methodologies into three categories.
8. Category A includes methodologies, which can be recommended to be used under PoAs, but will benefit from additional methodological guidance, e.g. on eligibility criteria for additionality demonstration. For example, it would be possible to provide guidance on eligibility criteria that could be developed for composting projects under AM0025.
9. Category B includes methodologies where the eligibility criteria are highly sensitive to changes in energy prices, technology development, and other market circumstances. For example, demonstrating additionality for natural gas combined cycle power plants under AM0029 would heavily depend on the current and forecasted fuel prices at the time of decision making for the implementation of the project. The Meth Panel recommends the Board to consider that for these methodologies the current standard is modified to mandate the periodical update of the eligibility criteria, for example every one or two years.
10. Category C includes methodologies that are not recommended to be used under PoAs since the parameters to be used to define the eligibility criteria are highly project specific. For example, the parameters needed for the demonstration of additionality (CERs per annum and annual operating and maintenance costs) under AM0031 are very project specific, so the steps taken to demonstrate additionality for a CPA would be exactly the same as for a single CDM project. Therefore, no methodological benefits, but only procedural simplifications, can be achieved in case such methodologies are applied under PoAs.
11. The table below summarizes the preliminary assessment of the selected 20 methodologies:

<b>Category A- Potentially need further guidance</b>	
AM0025	Avoided emissions from organic waste through alternative waste treatment processes - Version 12.0
AM0039	Methane emissions reduction from organic waste water and bioorganic solid waste using co-composting - Version 2.0
AM0053	Biogenic methane injection to a natural gas distribution grid - Version 2.0
ACM001	Consolidated baseline and monitoring methodology for landfill gas project activities - Version 11.0
ACM005	Consolidated Baseline Methodology for Increasing the Blend in Cement Production - Version 5.0

ACM008	Consolidated methodology for coal bed methane, coal mine methane and ventilation air methane capture and use for power (electrical or motive) and heat and/or destruction through flaring or flameless oxidation - Version 7.0
ACM0010	Consolidated baseline methodology for GHG emission reductions from manure management systems - Version 5.0
ACM0014	Mitigation of greenhouse gas emissions from treatment of industrial wastewater - Version 4.1.0
<b>Category B - Potentially need further guidance and more frequent update of eligibility criteria</b>	
AM0029	Baseline Methodology for Grid Connected Electricity Generation Plants using Natural Gas - Version 3.0
AM0009	Recovery and utilization of gas from oil wells that would otherwise be flared or vented - Version 4.0
ACM0012	Consolidated baseline methodology for GHG emission reductions from waste energy recovery projects - Version 4.0.0
AM0036	Fuel switch from fossil fuels to biomass residues in heat generation equipment --- Version 3.0
ACM009	Consolidated baseline and monitoring methodology for fuel switching from coal or petroleum fuel to natural gas - Version 3.2
ACM002	Consolidated baseline methodology for grid-connected electricity generation from renewable sources - Version 12.1.0
ACM003	Emissions reduction through partial substitution of fossil fuels with alternative fuels or less carbon intensive fuels in cement or quicklime manufacture - Version 7.4.0
ACM006	Consolidated methodology for electricity and heat generation from biomass residues - Version 11.2.0
ACM007	Conversion from single cycle to combined cycle power generation - Version 5.0.0
ACM0013	Consolidated baseline and monitoring methodology for new grid connected fossil fuel fired power plants using a less GHG intensive technology - Version 4.0.0
ACM0018	Consolidated methodology for electricity generation from biomass residues in power-only plants - Version 1.3.0
<b>Category C - Not suitable for PoAs</b>	
AM0031	Baseline Methodology for Bus Rapid Transit Projects - Version 3.1.0

#### IV. NEXT STEPS

12. The Meth Panel plans to start the development of further guidance which can be included in the methodologies under categories A and B.

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## History of the document

Version	Date	Nature of revision
01.0	EB 66, Annex # 2 March 2012	To be considered at EB 66.
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