

Information note

Background information on three policy issues related to the proposed revision of ACM0013

1. At its sixty-eighth meeting, the Executive Board (hereinafter referred to as the Board) of the clean development mechanism (CDM) considered the revision of the methodology ACM0013 “Consolidated baseline and monitoring methodology for new grid connected fossil fuel fired power plants using a less GHG intensive technology” and took note of an information note prepared by the Meth Panel explaining the rationale for the revision and how the comments, it received, were taken into account. The Board requested the Meth Panel to prepare a new revision to the methodology containing, if possible, alternative approaches that ensure environmental integrity of the methodology, but not based on the following policy issues that are currently under its consideration:

- (a) The forecast of fuel price for the demonstration of additionality;
- (b) The consideration of CER revenues in the demonstration of additionality;
- (c) The inclusion of projects requesting registration or under validation to determine the baseline technology.

It was also requested by the Board that if the Meth Panel cannot ensure the environmental integrity of the methodology without using these requirements, it can prepare an information note explaining the underlying rationale. This note provides the information on how the Meth Panel addressed each of the policy issue raised under the Board’s request.

2. **Forecast of fuel prices.** Taking into consideration the request from the Board, the Meth Panel revised the information sources required for considering the fuel cost, according to the requirements that exist in the Guidelines on the assessment of investment analysis. The latest revised version presented to the Board at its sixty-eighth meeting had a requirement of determining the fuel prices using the forecast from the national governments or reputed international institutions. The revised methodology allows the use of the following sources other than the fuel contract: (1) information submitted to the financial institution which approved the loan for the project activity; (2) the most recent forecast of the price by the national government of the host country; or (3) any other third party sources that can be validated by the DOE.

3. **Consideration of CER revenues in the demonstration of additionality.** The Meth Panel noted the following main elements of safeguard of the environmental integrity for the methodology:

- (a) Standardized approach for the determination of the baseline technology, requiring the inclusion of plants under validation and identifying the baseline technology at the 80th percentile;
- (b) Most of the data used to calculate the levelized costs and the information used to determine the efficiency of the baseline technology shall be substantiated by the required feasibility studies;
- (c) For Approach 1, minimum values of efficiencies are provided for different baseline coal-fired power generation technologies, and design efficiency of the baseline technology is compared with operational efficiency of project technology while estimating the emission reductions;
- (d) For Approach 2, a procedure is incorporated to estimate the annual efficiency improvement of newly constructed power plants that would likely have occurred due to technical development in the time between the investment

decisions made for the peer plants and the investment decision made for the proposed project activity.

The Board may consider additional safeguard elements such as the consideration of the impacts of CER revenues in the demonstration of additionality, by including or excluding the paragraphs identified in brackets in the revised methodology, as a result of the discussion of the Board on this policy issue planned for its sixty-ninth meeting.

4. **Inclusion of projects requesting registration or under validation to determine the baseline technology.** The Panel considers that to ensure the environmental integrity of the methodology, it is necessary to include projects requesting registration or under validation to determine the baseline technology, for the following reasons:

- (a) A benchmark approach as implemented in the revision assumes that the baseline technology can be observed from the technologies adopted by the similar plants in the benchmark group. This assumption is no longer valid if a majority of the similar plants are not included in the benchmark group.

When an advanced power generation technology is introduced to a developing country, in some cases all new power plants would adopt the technology at approximately the same time and seek the CDM registration. If the projects under validation are always excluded from the determination of the baseline technology, all of these new power plants as projects seeking the CDM registration may identify a technology that is no longer implemented as the baseline technology and claim the CDM status. The environmental integrity of the baseline identification approach cannot be ensured.

It is also recognized that in some other cases, there are a few early adopters of the advanced technology for which the incentives from the CDM are necessary. Therefore, the revision allows the exclusion of the projects requesting registration or under validation from the benchmark group to determine the baseline technology, before the market penetration level of the project technology reaches 5%¹ in comparison to the total existing installed capacity of the power plants using the same fuel category in the host country;

- (b) The outcome of the validation activities and the conclusion on the registration request cannot be presumed for the projects requesting registration or under validation.

History of the document

Version	Date	Nature of revision
01.0	21 September 2012	EB 69, Annex # To be considered at EB 69.
Decision Class: Regulatory Document Type: Information note Business Function: Methodology		

¹ The technology penetration level of 5% is used in a small scale methodology AMS III C “Emission reduction by electric and hybrid vehicles”.