

## Information Note

### Selection of the crediting period for CDM project activities

(Version 01.0)

#### I. Background

1. At its sixty-seventh meeting, the Executive Board of the Clean Development Mechanism (CDM) (hereinafter referred to as the Board) noted that some methodologies allow project participants to select only a ten year crediting period, while paragraph 49 of the “Modalities and procedures for a clean development mechanism” (decision 3/CMP.1, annex) allow project participants to select a crediting period from two alternative approaches.

2. Therefore, the Board requested the Meth Panel to consider this issue in relevant methodologies, with the view to enable project participants to select the crediting period from the two approaches and to address, if needed, any methodological issues related to the renewal of the crediting period by recommending to the Board a revision of the methodological tool “Assessment of the validity of the original/current baseline and update of the baseline at the renewal of the crediting period”. The Board also requested the Meth Panel to prepare an information note on this issue for consideration by the Board.

#### II. Scope and objective

3. The objective of this information note is to present to the Board the issues that motivated the panel to recommend the use of a single crediting period for some specific approved methodologies and to provide the recommendation of the panel on how to address the issue at the level of specific methodologies and also at the level of the methodological tool “Assessment of the validity of the original/current baseline and update of the baseline at the renewal of the crediting period”.

#### III. Methodologies making reference to one crediting period

4. This section lists the methodologies that are limited to only one crediting period of ten years and the reasons that led the panel to recommend this approach.

- (a) AM0044 “Energy efficiency improvement projects: boiler rehabilitation or replacement in industrial and district heating sectors” - Version 1.0. The reason to allow only one crediting period is that it is highly probable that the lifetime of the baseline boiler will not exceed ten years;
- (b) AM0086 “Installation of zero energy water purifier for safe drinking water application” - Version 1.1.0. The reason to allow only one crediting period is that it is not possible to assess if consumers will keep on using the same baseline source of water and the same baseline energy sources for twenty one years. Further zero energy water purifiers would be expected to become the baseline in few years;
- (c) AM0092 “Substitution of PFC gases for cleaning Chemical Vapour Deposition (CVD) reactors in the semiconductor industry” - Version 1.0. The reason to allow only one crediting period is that as the semiconductor industry is changing/developing so quickly the baseline could only be valid for one single crediting period;
- (d) AM0094 “Distribution of biomass based stove and/or heater for household or institutional use” - Version 1.0.0. A survey is required in the project area to demonstrate that biomass constitutes not more than 10% of the fuel used for cooking/heating purposes. The survey was not allowed at the renewal of crediting period as it would re-validate the project activity and re-assess the additionality;

- (e) AM0104 “Interconnection of electricity grids in countries with economic merit order dispatch” - Version 1.0.0. Once the interconnection is installed, the dynamic of the grids (new generation units and new consumptions) is completely different than without it, then the procedure to calculate emission reductions may become not adequate after 10 years;
- (f) AM0031 “Bus rapid transit projects” - Version 1, ACM0016 “Mass Rapid Transit Projects” - Version 3 and AM0101 “High speed passenger rail systems” - Version 1.0.0. The *ex-post* method for establishing the baseline using passenger surveys is not reliable after more than a few years, hence the baseline scenario established by the methodology could be valid only for one single crediting period.

5. The main reasons for the panel to suggest the use of a single crediting period can be grouped in four main groups:

- (a) In those projects where an asset is replaced or rehabilitated, the lifetime was set to a maximum time of 10 years taking into account that a detailed process to assess the remaining lifetime requires very expensive and scarce professional services to have a realistic overview beyond 10 years. For example, the standard for boilers and other pressurized vessels, API 579 Fitness-to-Service, sections for remaining life assessments, covers sophisticated analysis of thickness, welding, crack propagation, blisters, shell distortions and other metallurgical and mechanical design issues very difficult to be done in most countries and to interpret correctly by DOEs, so that a 10 years value was the only conservative position;
- (b) In those projects where *ex-post* surveys are used, this procedure cannot forecast 21 years; the procedure gives a picture of the baseline at the moment of implementation of the project with acceptable tolerance, but the accuracy of the method deteriorates over time. The alternative would be to rely on complex models, yet to be defined. The Panel decision was to set a conservative timeframe of 10 years;
- (c) In those projects with fast pace of technological changes like electronics, the industry is moving to new materials within a decade, so the constraint to one period was to avoid potential gaming;
- (d) The CDM project activity may become the baseline scenario after the first crediting period. This situation is valid when the baseline scenario is the continuation of the current practice.

#### IV. Recommendations to remove in methodologies the reference to using a single crediting period

6. If the reference to a single crediting period is going to be removed, a procedure or guideline on how to re-calculate the baseline emissions is necessary.

- (a) For the situation where the recalculation of parameters may not be possible, specific guidance on the methodologies should be provided on how to determine these parameters (e.g. using discount factors, using alternative sources of information, etc.).
- (b) The methodologies mentioned in section III above may provide specific guidance to ensure the appropriate calculation of emission reductions for the second and third crediting periods.
- (c) For the situation that the project activity could become the continuation of the current practice, step 1.2 of the “Assessment of the validity of the original/current baseline and update of the baseline at the renewal of the crediting period” already addresses this issue and therefore any specific reference in the methodology could be removed.

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**History of the document**

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