

CDM-MP58-A18

Information note on way forward with guidelines for the establishment of sector specific standardized baselines

Version 01.0

DRAFT



United Nations
Framework Convention on
Climate Change

COVER NOTE

1. Procedural background

1. The "Guidelines for the establishment of sector specific standardized baseline" version 02.0 (SB guidelines) have been developed by the secretariat in consultation with relevant panels under the mandate of the Executive Board (hereinafter referred to as the Board) of the clean development mechanism (CDM) and approved by the Board at its sixty-second meeting. Relevant experience has been collected since then in their application by various stakeholders. The Methodologies Panel is involved in the evaluation process of the first standardised baselines submission and agreed to provide its views on possible improvements of the guidelines.

2. Purpose

2. This information note presents the comments from the Methodologies Panel on the SB guidelines.

3. Key issues and proposed solutions

3. The key issues identified by the Methodologies Panel include the definition of sector, the separation of measures (e.g. fuel switch, feedstock switch and technology switch), the definition of technology, using performance threshold for baseline (and additionality), the level of aggregation, the default values of thresholds, using financial attractiveness and barrier for additionality, the vintage/scale, etc.
4. The Methodologies Panel recommends to further analyse the issues and based on that analysis thoroughly revise the SB guidelines. The Methodologies Panel also recommends to take these issues into account when approving the submitted standardized baselines, as the existing guidelines, may not in every case lead to robust standardized baselines.

4. Impacts

5. The secretariat will take into account the comments from the Methodologies Panel, while improving the SB guidelines, in accordance with the work plan on standardized baselines.

5. Proposed work and timelines

6. Not applicable.

6. Recommendations to the Board

7. The Methodologies Panel recommends that the Board consider the information note which contains views from the Methodologies Panel on possible improvements of the SB guidelines.

7. References

- (a) "Guidelines for the establishment of sector specific standardized baseline" version 02.0.

1. Introduction

1. The guidelines for the establishment of sector specific standardized baselines (SB guidelines) have been developed by the secretariat in consultation with relevant panels (see MP 50, annex 11) under the mandate of the Executive Board (hereinafter referred to as the Board) of the clean development mechanism (CDM) and approved by the Board at its sixty-second meeting. Relevant experience has been collected since then in their application by various stakeholders. The Methodologies Panel is involved in the evaluation process of the first standardised baselines submission. Currently, the secretariat is developing a FAQ document that aims at providing further guidance, and at a later stage a revision is envisaged.

2. Experience

2. The experience so far shows that there seems to be room for improvement for the SB guidelines. The Methodologies Panel therefore developed a list of issues and possible ways forward (see appendix). The Methodologies Panel is of the opinion that tackling these issues is fundamental to assure the operationalization and larger-scale use of the SB guidelines.

3. Conclusions

3. The Methodologies Panel recommends to further analyse the issues and based on that analysis thoroughly revise the SB guidelines. Any revision should cover all the relevant issues. The Methodologies Panel also recommends that the revision is not made in the form of a FAQ document.
4. As the SB guidelines in their current form are approved and operational, the Methodologies Panel recommends to take these issues into account when approving the submitted SBs, as the existing guidelines, may not in every case lead to robust standardized baselines.

Appendix 1. List of main issues and way forward

1. The following main issues with the approved guidelines have been identified by the Methodologies Panel and should be considered in further revisions:
 - (a) Definition of sector:
 - (i) Issue: Clarification of “sector” definition (defined by “output”) as the selection of sector would impact the selection of baseline and additionality thresholds;
 - (ii) Issue: Clarification of definition of “output”, because it has high impact on the level of disaggregation and the outcome of positive lists;
 - (iii) The possible way forward: Based on case studies and real data, precise definitions should be elaborated that can be operationalized;
 - (b) Separation of measures (e.g. fuel switch, feedstock switch and technology switch):
 - (i) Issue: more clarity needed for development of SBs for combinations of measures, especially on additionality and baseline determination of combination of measures;
 - (ii) Issue: more guidance is needed on the selection of reference fuel used for technology switch measures and for the reference technology used for fuel switch measures;
 - (iii) Issue: dependency of efficiency of technology on fuel type used and how would this impact the conclusion when using a reference technology or a reference fuel;
 - (iv) The way forward: revisit the concept of separating into the “measures” fuel switch, feedstock switch and technology switch, explore different ways of classification (e.g. Greenfield, Brownfield);
 - (c) Definition of technology:
 - (i) Issue: clarification on the definition of “technology”, this is important due to its impact on ranking and positive lists;
 - (ii) Issue: very limited availability of data in many sectors and countries on technologies restrict the applicability;
 - (iii) The way forward: for example: ranking of plants according to their actual performance instead of design performance of technology, differentiating standardised baselines for Greenfield plants and existing plants, work on definition of list of technologies that provides default aggregation of technologies;

- (d) Performance threshold for baseline (and additionality):
- (i) Issue: until now, only design data for technologies could be used for building SBs, whereas in many cases it may be much more beneficial to use actual performance data because of data availability and because this is closer to the actual situation on the ground;
 - (ii) Issue: limited data availability for “design efficiencies” and cost of technologies and their vintage, also efficiencies and cost have a wide range within one technology as different manufacturers may quote different design efficiencies for the same “technology”;
 - (iii) Issue: use of design data (as prescribed until now) could lead to very conservative outcome, and may in particular penalize existing plants;
 - (iv) Way forward: explore alternatives to determine the baseline, for example average performance minus the standard deviation of performance for baseline, use actual performance instead of design efficiency for ranking (depending on data availability, and may use design efficiency for baseline emission factor);
- (e) Level of aggregation:
- (i) Issue: the SB guidelines provide very little guidance on how to choose the level of aggregation for “sectors”, “outputs”, “technologies”, “fuels and feedstocks”. These ambiguities may lead to standardised baselines that are not robust;
 - (ii) The way forward: provide more guidance/process for selecting the level of aggregation;
- (f) Default values (80/90%):
- (i) Issue: are the default threshold values 80/90% (appendix I to annex 23 of the EB 65 report,) robust?
 - (ii) Way forward: road testing and analysis of default values based on actual real data;
- (g) Financial attractiveness and barrier for additionality:
- (i) Issue: how should financial attractiveness and barriers be tested at the sectoral level?
 - (ii) Issue: there are large overlaps of costs and carbon intensities between different technologies;
 - (iii) Issue: data availability for determination of financial attractiveness and barrier;
 - (iv) Way forward:
 - a. For example, develop sound procedures to determine additionality on a sector level and test them based on real data before approval or;

- b. For example, revisit concept of having both (i) a threshold approach for positive list and on top of that (ii) to test for financial attractiveness/barriers. This should be done in the context of improved approaches to determining X,Y thresholds;
- (h) Vintage/scale:
 - (i) Issue: scale and age of plants are not considered in the approved SB guidelines (restricts their applicability);
 - (ii) Way forward: for example consider different classification for mitigation activities not based on the “measures” but for example on Greenfield projects vs. Brownfield projects;
- (i) Further issues:
 - (i) In addition, further clarification is needed for the following issues:
 - a. Relationship of SBs with existing and future CDM methodologies and their combined application;
 - b. Consideration of existing CDM projects in defining SBs;
 - c. How to assure additionality in methane destruction and avoidance (Measures 3 and 4);
 - d. Are there alternative and simplified approaches for LDCs?
 - e. QA/QC procedures, uncertainties and data gaps.

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