REPORT OF THE TWENTY - FOURTH MEETING OF THE METHODOLOGIES PANEL

UNFCCC Headquarters, Bonn, Germany

27 November - 1 December 2006

RECOMMENDATIONS BY THE METHODOLOGIES PANEL TO THE EXECUTIVE BOARD

A. Opening of the meeting and adoption of agenda

1. The acting Chair of the Methodologies Panel (Meth Panel), Mr. Jean-Jacques Becker and accompanying co-chair Mr. Xuedu Lu, opened the meeting.

2. The agenda was adopted as proposed.

B. Consideration of proposed new methodologies

3. The Meth Panel considered the proposed new methodologies for the cases mentioned in the table below, as well as desk reviews and public inputs received, where applicable.

4. The final recommendations, proposed by the Meth Panel for the consideration by the Executive Board, are made available on the UNFCCC CDM website: <http://cdm.unfccc.int/methodologies/PAmethodologies/publicview.html>.

5. In accordance with the procedures for submission and consideration of a proposed new methodology, project participants may submit, via the DOE, technical clarifications to preliminary recommendations. Preliminary recommendations for which project participants have not provided any clarifications within the (4) week consultation period shall be considered as final recommendations, and will be forwarded to the Executive Board for consideration and made available on the UNFCCC CDM website.

6. The Meth Panel requests the Board to encourage project participants to make use of the technical guideline for the development of proposed new methodologies as found in the "Guidelines for completing CDM-PDD, CDM-NM", which would considerably assist in the consideration and approval of proposed methodologies.

7. The Meth Panel agreed on the following recommendations:

Cases	MP 24[1] recommendation
NM0141-rev: Displacing grid/off-grid steam and electricity generation with less carbon intensive fuels in Aba, Nigeria	**Work in progress**[2]
NM0142-rev: Palm Methyl Ester - Biodiesel Fuel (PME-BDF)	**Consideration pending, see paragraph 8 below.**
NM0144-rev: Energy efficiency improvements carried out by an Energy Service Company (ESCO) in Ulaanbaatar, Mongolia to replace old boilers with new ones, as contained in annex 1	**A**

[1] Recommendations to the methodologies from the twenty-fourth meeting of the Meth Panel, where A (recommended for approval), B (recommended for revision) and C (recommended for non-approval) are final recommendations to the Board.

[2] The deliberations on these methodologies could not be concluded at the twenty-fourth meeting of the Meth Panel. These cases will be further considered before providing a recommendation to the Board.

Cases	MP 24[1] recommendation
NM0150-rev : Ghana efficient lighting retrofit project	**Work in progress**
NM0152-rev: Celpa, Celtins & Cemata grid connection of isolated systems, as contained in annex 2	**A**
NM0155-rev: Waste gas utilization for steam and power generation at RIL Jamnagar refinery	**Preliminary recommendation**
NM0157-rev: Open-DSM type CDM for Green Lighting in Shijiazhuang city, China	**Preliminary recommendation**
NM0159-rev: Implementation of an Efficiency Testing, Consumer Labeling and Quality-Assurance Program for Air Conditioners in Ghana	**Preliminary recommendation**
NM0161: Mondi Gas Turbine Co-generation in Richards Bay, South Africa	**B**
NM0165-rev: Feed switchover from Naphtha to Natural Gas (NG) at Phulpur plant of IFFCO	**Preliminary recommendation**
NM0170: Installation of Carbon Dioxide Recovery (CDR) plant at Indian Farmers Fertiliser Cooperative Ltd (IFFCO), Phulpur Plant	**B**
NM0171: Use of Hydro Heavy Fuel Oil Technology (HHFOT) to improve energy efficiency at a power plant in Pakistan	**Work in progress**
NM0172: Methane Leak Reduction From Natural Gas Pipelines	**B**
NM0174: MSW Incineration Project in Guanzhuang, Tianjin City, China	**B**
NM0176: Soluciones Nitrous Oxide Abatement Project	**B**
NM0178: Aerobic thermal treatment of municipal solid waste (MSW) without incineration in Parobé	**Work in progress**
NM0179: Waste Heat Recovery based Steam and Power Generation	**Work in progress**
NM0180: BIOLUX Benji Biodiesel Beijing Project	**Work in progress**
NM0181: Introduction of a new primary district heating system - Houma District Heating project, Shanxi Province, P.R.C	**B**
NM0186: Increased electricity generation from existing hydropower stations through Decision Support System optimization in Azerbaijan, as contained in annex 3	**A**
NM0189: Shanghai Bailonggang Sludge Treatment Project	**B**
NM0192: Recovery and utilization of flare waste gases at the Industrial Complex of La Plata Project	**Preliminary Recommendation**

8. The Meth Panel took note of the fact that, in the proposed new methodologies for project activities that include the production of biomass, the issue of shift of pre-project activities is not adequately dealt with. The panel is currently undertaking further work on ways to address the shift of pre-project activities and therefore agreed to further consider the proposed new methodology NM0142-rev after this work is complete.

9. In accordance with the guidance provided by the Board at its twenty sixth meeting (annex 12), the Meth Panel agreed to highlight to the Board the approach used by the proposed new methodologies NM0142-rev and NM0180 in addressing double counting of emission reductions. The way to address this issue, in these two proposed new methodologies, is proposed as follows:

(a) The proposed new methodology NM0180 addresses the issue of double counting by making it mandatory for the producer of biofuel (biodiesel from waste cooking oil) to include the consumers of biofuel within the project boundary and monitoring their consumption through contractual arrangement.

(b) The proposed new methodology NM0142-rev includes the consumers in the project boundary, but suggests delegating the responsibility of ensuring consumers do not claim CERs to the Designated National Authorities.

10. According to decision of the Board (EB26, annex 12), consumers shall be included in the project boundary. The above two proposed new methodologies (NM0142-rev and NM0180) address this issue. The Meth Panel recommended that to further strengthen the procedures in these two methodologies, such methodologies shall be limited to cases where biofuel is supplied to identifiable final consumers, e.g. bus companies, who are contractually committed not to claim CERs and to report any export of the biofuel to Annex-I. In this regards the Meth Panel is further considering a proposal on a methodological tool for avoiding double counting, see paragraph 20.

C. Clarifications and requests for revisions of approved methodologies

11. The Meth Panel considered the following requests for clarifications and requests for revisions related to the application of approved baseline and monitoring methodologies. The requests submitted and the recommendations provided by the Meth Panel are made publicly available on the UNFCCC CDM web site at http://cdm.unfccc.int/methodologies/PAmethodologies/Clarifications and http://cdm.unfccc.int/methodologies/PAmethodologies/Revisions respectively. The requests for revisions that resulted in a recommendation by the Meth Panel to revise an approved methodology are reflected in section D below.

Clarification/Revision number	Approved Methodology	Title of the clarification	MP 24 recommendation.
AM_CLA_0033	AM0001	"Determination of maximum historical annual production in case of two production lines"	**Clarified** (see para **14**)
AM_CLA_0034	ACM0006 and AMS-II.B.	"Combined application of ACM0006 & AMS-II.B following M&P for a large scale project activity is proposed""	**Clarified (see para 12)**
AM_REV_0027	ACM0002	"Approach for the exclusion of immaterial parts of a multinational grid"	**consideration incomplete** (see para **13**)

12. The Meth Panel considered the request for clarification AM_REV_0034, whether in one project activities with two GHG reducing effects, it is permissible to use an approved small and a large scale methodology. For example as per the clarification requested, where GHG emissions are reduced by the replacement of an existing boiler with an efficient boiler and fuel switch in the same new boiler installed as part of the project activity. The Meth Panel recommended allowing the proposed use of "AMS II.B Supply Side Energy Improvement – Generation" and "ACM0006 – Consolidated baseline methodology for grid-connected electricity generation from biomass",

since there is no specific methodological reason that would require a different treatment of this case. The Meth Panel also clarified that this recommendation in no way endorses the appropriateness of the use of above mentioned two approved methodologies to the specific project activity described in the PDD attached to the request for clarification.

13. The Meth Panel in considering a request for revision AM_REV_0027 identified a possible ambiguity regarding the spatial extent of the definition of grid boundary in the approved methodology ACM0002. The panel agreed to request clarification from the Board whether the word "regional", in the context of "regional electricity system" phrase used in the approved methodology, can be interpreted as extending across several countries or is limited to the national boundaries of the host country. The panel noted that there is no technical reason against a electricity system extending over more than one country, but the panel is also aware that the current version of ACM0002 sets the emission factors to zero "for imports from connected electricity system located in another country". If the Board is of the view that trans-national electricity systems are eligible under ACM0002, the panel agreed to request the Board for further clarification on the appropriate level of involvement of DNAs of countries within the region across which the electric system spans.

D. Revision of approved methodologies

14. AM0001: As a result of a request for clarification (AM_CLA_0033), the Meth Panel recommends the Board to revise the methodology AM0001, as contained in annex 4. The revision includes the following changes:

(a) As a result of the request for clarification AM_CLA_0033, a paragraph has been inserted that clarifies how the quantity of historical HCFC-22 production should be calculated in case of two or more production lines in the project boundary;
(b) The applicability condition that the destruction of HFC-23 can not be regulated has been deleted, since the methodology allows to account for regulatory requirements to destruct the HFC-23 waste stream in the calculation of baseline emissions;
(c) The applicability conditions has been clarified to clearly express that an "existing" facility should also have been operated in the time period after 2005 until the start of the project activity;
(d) For transparency purposes, monitoring of HFC-23 has been expanded from the inlet to the destruction facility to the waste generation at the HCFC-22 production plant, since, in some cases, different production lines or nearby plants may use one single HFC-23 destruction facility;
(e) Further the panel recommended to provide an estimation procedure for including historical CFC production in the calculation of the historical HCFC-22 production level. In this regard, the Meth Panel requests the Board to provide clarification to its decision in paragraph 69 (a) of the EB24 report on the registration of project activity 0151 and by its decision in paragraph 27 (a) of the EB26 report not to accept the request for revision AM_REV_0016, that a production line that has not produced HCFC-22, but only CFCs during the period 2000 to 2004 should not be eligible for crediting CERs using this methodology. Furthermore, in this regard the Meth Panel has provided two options in the draft revised methodology for consideration by Board: *Option 1*: years during which no HCFC-22 was produced can be used to establish the upper limit for Q_HCFCy; or *Option 2*: only years during which HCFC-22 was produced can be used to establish the upper limit for Q_HCFCy. The Meth Panel notes that Option 2 may, for some plants, result in a lower level of CERs.

(f) Other minor editorial changes.

15. **AM0002, AM0003, AM0011, AM0013, AM0022, ACM0001,** and **ACM0008:** The Meth Panel agreed to revise these approved methodologies to replace the present procedure for estimating flare efficiency with a reference to the draft Methodological Tool to determine project emissions from methane flaring. The revised version of the methodology is contained in annexes 5, 6, 7, 8, 9, 10 & 11.

16. **AM0028:** The approved methodology AM0028 was revised to amend the conservative default value for oxidation of methane and hydrocarbons that may be used for destruction of NO_x. The revised version of the methodology is contained in annex 12.

17. **AM0037:** As requested by the Board at its twenty sixth meeting, the Meth Panel reconsidered the third applicability condition in approved methodology AM0037. In the recommended revision, the third applicability condition has been deleted and the methodology has been limited to existing installations. In case of existing installations, the same quantity of methanol is produced in the project and the baseline and, thus, no new production in Annex I countries can be displaced through the CDM project activity. The Meth Panel agreed to undertake further work with a view to extend the applicability of this methodology to new installations. The revised version of the methodology is contained in annex 13.

18. **ACM0010:** The Meth Panel agreed to revise the approved methodology ACM0010 to replace the present procedure for estimating flare efficiency in the approved methodology with a reference to the draft Methodological Tool to determine project emissions from methane flaring. Further, the methodology was revised to address the Board's request to clarify in the monitoring plan the requirement of conducting on-site inspections for each individual farm where the project activity is implemented in order to ensure that the registered monitoring plan has been applied correctly in the estimation of reductions in anthropogenic emissions by sources. The revised version of the methodology is contained in annex 14.

E. Use of approved methodologies at the renewal of crediting period

19. The Meth Panel considered proposal on the use of approved methodologies and their versions at the renewal of crediting period and agreed to recommend to the Board the following draft guidance, the rationale of which, is further explained in annex 15:

(a) At the renewal of the crediting period, project participants should use the latest approved version of the underlying baseline and monitoring methodology for the subsequent crediting period. This latest approved version should be used for assessing whether the baseline is still valid, any updates of data (e.g. default emission factors) and the calculation of emission reductions for the subsequent crediting period.

(b) For the following cases, project participants may, in their request for renewal of the crediting period, either use another applicable approved methodology for the subsequent crediting period and/or request a deviation from latest approved version of the methodology that is valid at the point in time of renewal of crediting period:

(i) the baseline and monitoring methodology has been withdrawn after registration of the project activity and been consolidated in another methodology;

(ii) the applicability conditions of the baseline and monitoring methodology have been revised after registration of the CDM project activity and the project activity does not meet these revised applicability conditions;

(iii) specific provisions of the latest approved version of the baseline and monitoring methodology, which were not included in the version used for the previous crediting period, cannot be applied to the project activity (e.g. because historical data is not available).

F. Avoidance of double counting of emission reductions

20. The Meth Panel considered the issue of avoidance of double counting of emission reductions in methodologies for project activities claiming CERs from the production of biofuels only, while not taking into account consumers of these biofuels. The panel is currently developing a methodological tool, which addresses the issue of claiming CERs from the production of biofuels only, while not taking into account consumers of these biofuels by incorporating some of the concepts provided in the responses from the call of public inputs.

G. Issue of CDM project activities displacing production in Annex I countries

21. The Meth Panel discussed the issue of CDM project activities that could result in the displacement of production in Annex-I countries. The Meth Panel agreed to request the Board to clarify that no CERs can be claimed from emission reductions occurring in an Annex I country and recommended to incorporate the following guidance in the "Technical guidelines for the development of proposed new baseline and monitoring methodologies":

(a) "Proposed new methodologies should ensure that no CERs are claimed from reducing baseline emissions occurring in an Annex I country. The proposed new methodologies should consider whether or, to which extent the project activity could displace the production in Annex I countries. In the case where a displacement in both Annex I and non-Annex I countries is most plausible, an emission factor of zero should be used for the production displaced in Annex I countries".

H. Methodological tools

22. The Meth Panel considered proposals for six methodological tools, viz., project emissions from methane flaring; calculation of grid emission factors; calculation of emissions from the consumption of electricity or heat; calculation of emissions from transportation of goods; estimation of emissions from cultivation of biomass and avoidance of double counting in biofuel CDM project activities.

23. The Meth Panel agreed to recommend the draft Methodological Tool to determine project emissions from flaring gases containing methane, as contained in annex 16. The tool can be used under the following conditions:

(a) The residual gas stream to be flared contains no other combustible gases than methane, carbon monoxide and hydrogen;

(b) The residual gas streams shall be obtained from decomposition of organic material (landfills, bio-digesters or anaerobic lagoons, among others) or from gases vented in coal mines (coal mine methane and coal bed methane).

24. The Methodological Tool provides two options to determine flare efficiency for enclosed flares: 90% default value or continuous monitoring. The Meth Panel recommends that if the combustion efficiency of flare is not continuously monitored, the project participants may use a default value of 90% efficiency for combustion of methane in the flare. If the default value option is chosen, the compliance with manufacturer's specification to operate the flare (temperature, flow rate of residual gas at the inlet of the flare) shall be continuously monitored. If in a specific hour any of the parameters are not in compliance with the manufacturer's specifications, for that particular hour the combustion efficiency default value of 50% should be used.

25. The Meth Panel recommended continuous monitoring, as a discrete measurement of combustion efficiency could be representative of the conditions of operation of the particular day (e.g. air/residual gas ratio, proportion of methane in the residual gas) when the measurements were performed, but may not be representative of the conditions on other days. It should be noted that the parameters that affect the combustion efficiency could have significant variations, and some of these variations may not be under the control of the project proponents. Therefore, the Meth Panel recommended that only continuous monitoring can be considered as a way to measure combustion efficiency of the flares. Otherwise, a default value of 90% for enclosed flares can be considered as a conservative approach to the combustion efficiency, provided that the operation of the flare is in compliance with the manufacturer's specification.

26. The Meth Panel agreed to further work on the Methodological Tools, viz: calculation of grid emission factors; calculation of emissions from the consumption of electricity or heat; calculation of emissions from transportation of goods; estimation of emissions from cultivation of biomass; avoidance of double counting in biofuel CDM project activities, taking into account the discussions at the panel.

I. Additionality

27. The Meth Panel noted that submission in response to a call for public inputs launched by the Board in March, 2006 contained alternative ideas to demonstrate additionality such as benchmarks, positive lists and market penetration, *inter alia*. The Meth Panel is of the view that such proposals may provide a simple procedure to demonstrate additionality, though issues such as free-riders need to be addressed before such ideas can be implemented. The Meth Panel requests the Board to encourage project participants to present clear and precise ways to implement these ideas as a part of proposed new methodologies.

28. As requested by the Board at its twenty seventh meeting to reconsider the restriction that "all newly built facilities cannot apply the combined tool", the Meth Panel reconsidered the applicability of the "combined tool to identify the baseline scenario and demonstrate additionality" and agreed, except for one Meth Panel member, to recommend to the Board to revise this tool, as contained in annex 17.

J. Schedule of meetings and rounds of submissions of proposed new methodologies

29. The Meth Panel confirmed that its twenty-fifth meeting will be held from 15 to 19 January 2007.

30. The Meth Panel noted that the deadline for the eighteenth round of submissions of proposed new methodologies is to be 5 February 2007. The Meth Panel reminded project

participants that baseline and monitoring methodologies can be submitted at any time prior to this deadline.

External annexes to the twenty-fourth meeting of the Meth Panel

Annex 1: Draft reformatted baseline and monitoring methodology based on NM0144-rev

Annex 2: Draft reformatted baseline and monitoring methodology based on NM0152-rev

Annex 3: Draft reformatted baseline and monitoring methodology based on NM0186

Annex 4: Draft revision to AM0001

Annex 5: Draft revision to AM0002

Annex 6: Draft revision to AM0003

Annex 7: Draft revision to AM0011

Annex 8: Draft revision to AM0013

Annex 9: Draft revision to AM0022

Annex 10: Draft revision to ACM0001

Annex 11: Draft revision to ACM0008

Annex 12: Draft revision to AM0028

Annex 13: Draft revision to AM0037

Annex 14: Draft revision to ACM0010

Annex 15: Note on the use of approved methodologies at the renewal of crediting period

Annex 16: Draft Methodological Tool to determine project emissions from flaring gases containing methane

Annex 17: Draft revised combined tool to identify the baseline scenario and demonstrate additionality