REPORT OF THE FIRST MEETING OF THE SMALL-SCALE WORKING GROUP

UNFCCC Headquarters, Bonn, Germany

31 January - 1 February 2005

A. Opening of the meeting and adoption of the agenda

1. The Chair and vice-Chair of the Small-Scale Working Group (SSC WG), Mr. Georg Børsting and Mr. Richard Muyungi, welcomed the members of the working group, Mr. Mr. Gilberto Bandeira De Melo, Mr. Felix Babatunde Dayo, Mr. Binu Parthan, Mr. Daniel Perczyk and Mr. Kazuhito Yamada selected by the Executive Board at its sixteenth meeting.

2. The agenda of the meeting was adopted.

3. The SSC WG members expressed their deep appreciation to the outgoing Chair of the SSC WG, Mr. Georg Børsting, for his outstanding dedication and support to the work of the working group.

B. Revision of Appendix B of the simplified modalities and procedures for small-scale CDM project activities

4. The Small-Scale Working Group considered five submissions on small-scale methodologies received. The submissions were received by the following entities:

(a) FAO, 11 March 2004;

(b) TÜV Industrie Service GmbH TÜV, 29 October 2004, 20 January 2005, 26 January 2005;

(c) SouthVista Asset Management, 23 November 2004;

(d) Det Norske Veritas Certification Ltd. (DNV Certification Ltd), 16 December 2004;

(e) SourthSouthNorth, 22 December 2004 and;

(f) Société Générale de Surveillance (SGS), 22 December 2004.

5. Taking into consideration issues raised in these submissions the SSC WG recommends the amendments to Appendix B of the simplified modalities and procedures for small-scale CDM project activities as contained annex 1 to this report. The reasoning for the changes are explained as follows:

Type I.C, paras 3 and 4 and I.D., para 3:

6. If a boiler is rated for biomass firing and is co-fired with a fossil fuel the thermal energy output will be higher, therefore in co-generation systems that are co-fired the higher rating by the manufacturer should be used for determining eligibility of SSC IC.

7. The boundary definition is modified by deleting the word ‘thermal’ to provide flexibility to accommodate variations in cogeneration system configurations.

8. The technology/measure definition is modified by deleting the word ‘primary’.

Types I.A., para 3 and I.B, para 3:

9. Added text for allowing the possibility for co-firing (hybrid) system generating power only.

Types I.A, para 10, I.B, para 8, I.C, para 9 (b) and I.D., para 9:

10. Monitoring requirements of sections IA, I.B, IC and ID were strengthened to allow for monitoring the renewable and fossil fuel inputs and their energy content to arrive at accurate estimates of emission reductions.

Types I.A, para 1, I.B, para 1, I. D, para 1:

11. The proposed change is needed to clarify that these types are related to new equipment, and not to improvement of efficiency or adding capacity to an existing unit. The simplified baseline and monitoring methodologies included are designed for new units, and can not be applied to improvements of efficiency or added capacity without inconsistencies, mainly related to difficulties to distinguish between before project production, and after project production. Further research for a new Type of project covering these activities will be required.

Type I.D, para 6:

12. The proposal of the paragraph is to establish a simplified baseline for grids supplied with energy from fuel oil or diesel oil only, with emissions factor corresponding to these fuels. The original paragraph could be misunderstood as to be applicable to systems with some renewable energy already installed.

Type III.D, paras 8, 9 and 10:

13. Conditions for the monitoring in projects of this type were strengthened because of two main reasons:

(a) The high sensitivity of the emission reductions relative to the quantity of methane recovered (because of the high GWP of methane), and

(b) The risk that malfunctions in the operation of the flares can release non-recovered methane, and the need for the monitoring system to be able to register such events.

14. The SSC-WG also recognized the necessity to examine the need for similar strengthening for other project types of small-scale CDM project activities, in order to keep a balanced level of strength between the different procedures.

C. Bundling of small-scale project activities

15. Taking into consideration questions raised in the submissions received, the SSC WG initiated discussions regarding the need for more detailed clarifications that may be needed for bundled project activities. The SSC WG agreed to further consider this issue at its second meeting with a view to a final recommendation to the Executive Board.

D. Treatment of biomass

16. The Meth Panel at its twelfth meeting started considering the issue of use of biomass from non-renewable sources as applicable category of small-scale project activity/CDM project activities and agreed to request the SSC WG and the AR WG to further assess the relation to eligibility of such activities under the CDM modalities and procedures before a recommendation is elaborated to the Board (see meeting report of Meth 12, section B).

17. The SSC WG took note that the AR WG has not yet concluded its discussions regarding the use of biomass by CDM project activities. The SSC WG took note of the recommendations by the Meth

Panel and the AR WG to meet jointly to agree on a common recommendation for the definition of the renewable and non-renewable sources of biomass.

18. The SSC WG started discussion of a draft paper regarding renewable and non-renewable biomass definitions and agreed to circulate it as an input for discussion of the Meth Panel and AR WG. The SSC WG acknowledges that after definitions for renewable and non-renewable biomass have been developed amendments would be needed to ensure consistency of reference to renewable biomass and non-renewable biomass across different types.

E. Simplified project design document (SSC-PDD)

19. The SSC WG, taking into consideration the above mentioned submissions recognizes the need to revise the simplified project design document (SSC-PDD) and to develop guidelines for the SSC-PDD, similar to the guidelines available for the CDM-PDD, in order to facilitate submissions by project participants of small scale project activities. The SSC WG agreed to further consider this issue at its second meeting with a view to prepare a recommendation for the Board.

F. Project activities that would potentially increase capacity/emissions beyond the eligibility treshold for project types over time

20. Taking into consideration an input by the Chair of the Meth Panel, the SSC WG acknowledges that the SSC-PDD may need to provide further detail regarding the need for proposed small-scale CDM project activities to justify that they conform to the small-scale limits during their entire crediting period.

G. Schedule of meetings

21. The working group agreed to tentatively schedule its second meeting from 8-9 September 2005 with possibility of having an additional meeting from 16-17 May 2005, depending on submissions received on small-scale methodologies.

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