

**REPORT OF THE FIFTH MEETING
OF THE SMALL-SCALE WORKING GROUP**

UNFCCC Headquarters, Bonn, Germany
30 - 31 March 2006

A. Opening of the meeting and adoption of the agenda

1. The Chair of the Small-Scale Working Group (SSC WG), Ms. Gertraud Wollansky and the Vice-Chair of SSC WG, Mr. Richard Muyungi welcomed the members of the working group, Mr. Gilberto Bandeira De Melo, Mr. Felix Babatunde Dayo, Mr. Binu Parthan, Mr. Daniel Perczyk and Mr. Kazuhito Yamada.
2. The SSC WG agreed to add the submission SSC_044 “Methane avoidance from mature tree leaves by using in thermal applications” to the agenda of the SSC WG meeting. The SSC WG adopted the agenda of the meeting.

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

3. The SSC WG considered the following eight (8) requests for clarifications/revisions of approved small-scale methodologies:

Submission Number	Title	Submitted by
SSC_037	“Proposal for a new type III category-Avoidance of fossil fuel combustion for CO ₂ production”	Centro Nacional de Produccion Mas Limpia Tecnologias Amiantales (Colombia).
SSC_038	“Anthropogenic Ocean Sequestration by Changing the Alkalinity of Ocean Surface Water ”	JACO CDM
SSC_039	“Proposed amendments to III.C. Emission reductions by low greenhouse gas emitting vehicles ”	Haldia Petrochemicals
SSC_040	“Methane avoidance as a new category under type III- other project activities”	Agricola Santa Teresa
SSC_041	“Behavior-oriented demand-side energy efficiency programmes in the transport sector”	Factor Consulting
SSC_042	“Clarification request on residence time of waste water under category III.I”	Eratech Chile Ltd.
SSC_043	“Criteria for qualifying limits in retrofit/expansion projects in non dedicated power plants”	Christian Patrickson
SSC_044	“Methane avoidance from mature tree leaves by using in thermal applications”	Nishant Bioenergy

4. The SSC WG considered the issues raised in the above submissions and concluded the following.
5. **AMS - III.I. Avoidance of methane production in wastewater treatment through replacement of anaerobic lagoons by aerobic systems** was amended to clarify its applicability, as contained in annex 1 to this report (the changes are highlighted).
6. **AMS - III.H. Methane Recovery in Wastewater Treatment** was amended, to clarify the baseline emission calculations, as contained in annex 2 to this report (the changes are highlighted).

7. **AMS - I.D. Grid connected renewable electricity generation** was amended, to ensure the procedure followed for estimating the emission factor, as the combination of operating margin and build margin, is consistent with that described in ACM0002, as contained in annex 3 to this report (the changes are highlighted). The recommended changes would provide more options to the project proponents to estimate the emission factors, while also ensuring chosen emission factors are conservative even in grid systems dominated by low cost/must run resources (e.g. hydro).
8. The SSC WG considered the submission **SSC_037** "Proposal for a new type III category- Avoidance of fossil fuel combustion for CO₂ production", and agreed to recommend "**SSC Category – III. J. Avoidance of fossil fuel combustion for carbon dioxide production to be used as raw material for industrial processes**" as a **new category** under type III, as contained in annex 4 to this report.
9. The SSC WG considered the submission **SSC_039** "Proposed amendments to III.C. Emission reductions in low green house gas emitting vehicles" and agreed to **request further clarifications** from the project proponents requesting the revision.
10. The SSC WG considered the submission **SSC_043** "Criteria for qualifying limits in retrofit/expansion projects in non dedicated power plants", requesting a revision to AMS I.D and agreed the justification provided for the revision is not adequate. The SSC WG, therefore, agreed that recommendation for **revision of the category is not required**.
11. The SSC WG considered the submission **SSC_044** "Methane avoidance from mature tree leaves by using in thermal applications" and agreed that project proponents could use the existing approved methodologies and hence the recommendation for a new category is not required.

C. Treatment of non-renewable biomass

12. The SSC WG considered the submissions in response to the call for public inputs¹ on "procedures to address 'leakage' from small-scale CDM biomass project activities". The SSC WG agreed to **recommend for adoption** by the EB, the **revised draft methodologies "SSC Category - I. E. Switch from non-renewable biomass for thermal applications"** (annex 5) and "**SSC Category - II. G. Energy efficiency measures in thermal applications of non-renewable biomass**" (annex 6). The amendments take into account relevant potential sources of leakage both from the use of non-renewable and renewable biomass. The SSC WG agreed, to bring to the attention of the Board that the proposed emission reduction calculations (baseline and leakage) may only be applicable to small scale project activities, as the leakages of large scale CDM project activities might be significant and may require further analysis.
13. The SSC WG noted that the criteria adopted for the estimation of baseline emissions in the above draft categories (I.E & II.G) results in conservativeness. It further noted that widespread adoption of improved technologies outside of the project boundary, due to the increased knowledge and confidence in the technologies, might lead to positive leakages.
14. The SSC WG considered a comparison of emission reductions from project activities using the draft categories, referred to above (I.E & II.G), with carbon content of replaced non-renewable biomass. The SSC WG also considered in the comparison, the transaction costs of implementing projects applying the draft categories. The analysis is provided in annex 7 to this report. The transaction costs, exclude the

¹ The Board, at its twenty-third meeting, took note of the two draft categories for small-scale project activities that propose the switch from non-renewable to renewable biomass and requested the SSC WG to make amendments to these categories to provide recommendations on how to take into consideration 'leakage'. In this regard, the Board requested the secretariat to launch a public call for inputs on procedures to address 'leakage' from small-scale CDM biomass project activities. The call was open for public inputs from 1 March 2006 to 21 March 2006. The comments received are available on the UNFCCC CDM web site <http://cdm.unfccc.int/public_inputs/meth_ssc_bio/index.html>.

costs related to leakage from the use of biomass, the inclusion of which, would further adversely impact the economics of the project.

D. Treatment of leakage in biomass projects

15. The SSC WG considered the recommendations of Afforestation and Reforestation Working Group (AR WG) on procedures to consider leakage in all SSC biomass projects. In this regard, the SSC WG agreed to recommend including additional guidelines as a new attachment to appendix B to indicative SSC methodologies, as contained in annex 8 to this report. These procedures address three types of emission sources that are potentially significant (>10% of emission reductions) and attributable to project activities:

- A. **Shifts or displacement of pre-project activities.** Decreases of carbon stocks, for example as a result of deforestation, outside the land area where the biomass is grown, due to shifts of pre-project activities.
- B. **Emissions** related to the production of the biomass.
- C. **Competing uses for the biomass.**

E. Use of Bunker Fuels in CDM projects

16. The SSC WG started considering the submission SSC_039, that relates to a proposed project activity, shifting from 'road cum ship' transportation to 'pipeline cum ship' transportation of an industrial product. The emission reductions as proposed would be composed of effects from replacing road transport by pipeline use and from shortening of the shipping route in international waters. In that context, the SSC WG agreed to request the Board to confirm that reductions in the use of bunker fuels from international maritime applications (in this case the shortening of the shipping route) will not be considered as part of CDM project activities.

F. Category for biofuels

17. The SSC WG considered a draft category for project activities using biofuels in the transportation sector. The working group agreed that, there is a need for further information on production and use of biofuels and agreed to recommend to the Board to make a call for public input on the matter, as contained in annex 9 of this report.

18. The SSC WG, therefore agreed to further work on the draft category for project activities using biofuels in the next meeting, taking into account any guidance provided by the Board on double counting as well as the upstream emissions from biofuel production.

G. Revision of definition of small-scale CDM Project Activities

19. The SSC WG considered the issue of revising the definition of small-scale CDM project activities as requested by the Board at its twenty-third meeting.

20. The SSC WG agreed that the barriers to developing projects under Type II small scale CDM project activities might not be limited to the eligibility limits alone and, therefore, agreed to recommend to the Board to launch a call for public inputs in this regard.

21. The SSC WG noted that the principal issue concerning the definition of the limits for Small Scale Project activities is the limits for Type III project activities. For Types I and II projects, the limit is related, directly or indirectly, to the amount of emission reductions achieved by the project activities. However, for Type III, the definition follows a different approach. For many project activities (e.g. methane recovery), the amount of project direct emissions could be very low, while the amount of emission reductions achieved could be significantly high, in comparison to type I and type II projects. Theoretically, if all methane leaks in the technology/measure are avoided, the amount of project direct

emissions approaches a negligible value, and as a result, a large project could qualify as a small scale project.

22. The SSC WG considered different options to establish other parameters to define limits for Type III project activities and agreed to work further on the issue of limits for all Types with a view to making recommendations at its next meeting.

H. Applicability conditions for type III project activities

23. The SSC WG noted, the simplified criteria to develop small scale categories, may have to be different for some project activities applying Type III categories, as these projects may involve significant amount of emission reductions, while still being within the limits for project activity direct emissions (15 kilo tons CO₂e). The WG agreed these project activities require a higher level of precision in emission estimations and more detailed procedures for monitoring, as the amount of emission reductions and leakage could be significant.

24. The SSC WG recognized that further work is required to develop new categories for these kinds of project activities. As an interim solution, the WG recommends including the following text in the applicability conditions of all current Type III categories: “This category is applicable for project activities resulting in annual emission reductions lower than 25,000 ton CO₂e. If the emission reduction of a project activity exceeds the reference value of 25,000 ton CO₂e in any year of the crediting period, the annual emission reduction for that particular year is capped at 25,000 ton CO₂e.”

I. General guidance on output capacity of renewable energy equipment

25. The SSC WG considered the issue of defining the eligible capacity limits for project activities involving solar energy applications. The recommendations for guidelines in this regard are contained in annex 10 of this report. SSC WG will continue to consider this issue for other renewable energy technologies at its next meeting.

J. Methodologies related to carbon dioxide capture and storage

26. The SSC WG noted that the received submission SSC_038 (“Anthropogenic Ocean Sequestration by Changing the Alkalinity of Ocean Surface Water”) is related to carbon dioxide capture and storage (CCS) project activities. Taking into account guidance by the Board at its twenty-third meeting, the working group continued to qualitatively consider the submission. The working group noted that fundamental concerns remain on the level of development and maturity of the proposed technology, apart from significant uncertainties on permanence, leakage, and boundary issues. The working group noted that information provided by the submission is inadequate to fully consider these issues and will therefore seek further clarification.

K. Behavior-oriented demand-side energy efficiency programmes in the transport sector

27. The SSC WG considered the submission SSC_041 (“Behavior-oriented demand-side energy efficiency programmes in the transport sector”) together with an additional submission received from the project participant. Taking into consideration the guidance provided by the Board at its twenty-third meeting, the SSC WG agreed that the submission does not substantiate that the “emission reductions are measurable and directly attributable to these project activities” and the proposed methodology is therefore not eligible under the CDM.

L. Guidelines on Project activity direct emissions under type III categories

28. The SSC WG agreed to amendments to the following type III categories, to include guidelines on project activity direct emissions:

- (a) **AMS - III.C. Emission reductions by low greenhouse gas emitting vehicles** as contained in annex 11 of this report
 - (b) **AMS - III.B. Switching fossil fuels** as contained in annex 12 of this report
 - (c) **AMS - III.D. Methane recovery** as contained in annex 13 of this report
29. The recommendations include guidance on accounting of methane leakage and uncombusted methane due to flare inefficiency or flare availability.

M. Use of IPCC default values for emission factors

30. The SSG WG agreed to recommend to the Board that IPCC default values should be used only when country or project specific data are not available or difficult to obtain. The working group also agreed to wait for inputs from the Meth Panel before finalizing its recommendations to the Board.

N. Revision of forms for request for clarifications

31. The SSC WG revised the forms for request for clarification (F-CDM-SSC-Subm) and agreed to recommend to the Board, the approval of these forms. The revised forms are included as Annex 14 to this report.

O. Schedule of meetings

32. The working group agreed to schedule its sixth meeting from 13 – 14 June 2006, depending on the submissions received on small-scale methodologies. A one-day informal meeting may precede this meeting.
33. The SSC WG would like to reiterate that submission of requests for clarifications, revisions or/and amendments on small-scale methodologies shall be made four (4) weeks before the SSC WG meeting. Please refer to <http://cdm.unfccc.int/methodologies/SSCmethodologies/Clarifications>.
