



Annex 12

GUIDELINES FOR DEMONSTRATING ADDITIONALITY OF MICROSCALE PROJECT ACTIVITIES

(Version 04)

I. Background

1. The following paragraphs are quoted from decision 2/CMP.5 and 3/CMP.6, Further guidance relating to the clean development mechanism:

“24. Requests the Executive Board, starting at its next meeting, to further work and report to the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol on the enhancement of objectivity and transparency in the approaches for demonstration and assessment of additionality and selection of the baseline scenario by means of the following activities:

“ ...

“(c) Establishment of simplified modalities for demonstrating additionality for project activities up to 5 megawatts that employ renewable energy as their primary technology and for energy efficiency project activities that aim to achieve energy savings at a scale of no more than 20 gigawatt hours per year;”

“38. welcomes the work of the CDM Executive Board on the establishment of simplified modalities for demonstrating additionality for project activities up to five megawatts that employ renewable energy as their primary technology and for energy efficiency project activities that aim to achieve energy savings at a scale of no more than 20 gigawatt hours per year.

“39. requests the Board to continue to simplifying these modalities based on experience gained and to expand, as appropriate, their applicability to Type III projects that reduce emissions by less than 20,000 tonnes of carbon dioxide equivalent per annum and to report back to the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol at its seventh session on the experience gained including the appropriateness of the threshold.”



II. Guidelines

2. Project activities up to five megawatts¹ that employ renewable energy technology² are additional if any one of the conditions below is satisfied:³

(a) The geographic location of the project activity is in one of the least developed countries or the small island developing States (LDCs/SIDS) or in a special underdeveloped zone (SUZ) of the host country. ~~identified by the government before 28 May 2010;~~

(i) SUZ is a region in the host country (zone, municipality or any other designated official administrative unit) identified by the Government in official notifications for development assistance including for planning, management, and investment satisfying any one of the following conditions using most recent available data:

- The proportion of population with income less than USD 2 per day in the region is greater than 50%;
- When the GNI per capita in the country is less than USD 3000⁴ and the population of the region is among the poorest 20% in the poverty ranking of the host country as per the applicable national policies and procedures;⁵

(ii) In cases where, based on the recommendation of the designated national authority of the host country⁶, the SUZ in the host country has been approved by Executive Board (hereinafter referred to as the Board) of the clean development mechanism (CDM), the list of such SUZ shall be maintained on the UNFCCC website (e.g. at <http://cdm.unfccc.int/DNA/submissions/index.html>). In the case of these SUZ listed on the CDM website there is no need for the project proponents to provide proofs as indicated in paragraph 2 (a) above.⁷

(b) The project activity is an off-grid activity supplying energy to households/communities (less than 12 hours grid availability per 24 hrs is also considered “off-grid” for this assessment);

¹ A positive list of renewable electricity generation technologies that are automatically defined as additional are included in attachment A of appendix B for which it is not required to satisfy the conditions indicated here (see EB 63, annex 22).

² All technologies/measures included in approved Type I Small Scale CDM methodologies are eligible to be considered. Furthermore at its fifty-seventh meeting the Board clarified that all CDM project activities that meet the criteria specified in these guidelines are eligible to apply the guidelines irrespective of the scale of the approved CDM methodology applied to the project activity.

³ Otherwise other means for demonstrating additionality shall be used (e.g. the tool “Tool for demonstration of additionality”, or attachment A of Appendix B of Modalities & Procedures of SSC CDM”).

⁴ ~~As per PPP or WB atlas method or another comparable method.~~

⁵ Information on per capita income or other economic indicators used for the ranking purposes shall be provided in USD

⁶ DNA recommendations will be based on conditions indicated in paragraph 2 (a) (i).

⁷ Forms and procedures for DNA recommendations shall be developed and made available at a later date.



- (c) The project activity is designed for distributed energy generation (not connected to a national or regional grid)⁸ with both conditions (i) and (ii) satisfied;
- (i) Each of the independent subsystems/measures in the project activity is smaller than or equal to 1500kW electrical installed capacity;
 - (ii) End users of the subsystems or measures are households/communities/small and medium enterprises (SMEs).⁹
- (d) The project activity employs specific renewable energy technologies/measures recommended by the host country designated national authority (DNA) and approved by the Board to be additional in the host country. The following conditions shall apply for DNA recommendations:
- (i) “Specific renewable energy technologies/measures” refers to grid connected renewable energy technologies¹⁰ of installed capacity equal to or smaller than 5 MW;
 - (ii) The ratio of installed capacity of the specific grid connected renewable energy technology in the total installed grid connected power generation capacity in the host country shall be equal to or less than 3 per cent;¹¹
 - (iii) Most recent available data on the percentage of contributions of specific renewable energy technologies shall be provided to demonstrate compliance with the 3 per cent threshold. In no case shall data older than three years from the date of submission be used;
 - (iv) Technologies/measures recommended by DNAs and approved by the Board to be additional in the host country remain valid for three years from the date of approval. However, additionality of eligible project activities applying the guidelines remains valid for the entire crediting period;
 - (v) DNA submissions shall include the specific grid connected renewable electricity generation technologies that are being recommended and provide the required data as indicated above (e.g. wind power, biomass power, geothermal power, hydropower).

3. Energy efficiency project activities¹² that aim to achieve energy savings at a scale of no more than 20 gigawatt hours per year are additional if any one of the conditions below is satisfied:

⁸ This means that projects applying AMS.I-D are not eligible. However project activities generating thermal energy such as solar water heaters displacing grid-connected electric heaters can apply paragraph 2(c).

⁹ “communities” of consumers may for example include households, commercial facilities such as shops, public services/buildings and small, medium and micro enterprises (SMMEs); Applications may include lighting (interior, public street lighting), electrical appliances such as refrigerators, agricultural water pumps”.

¹⁰ Renewable technologies that do not generate electricity, such as heating and cooling technologies, are not eligible.

¹¹ For example, if the ratio of total installed capacity of all grid-connected hydropower plants with the capacity equal to or smaller than 5MW and the national grid-connected installed electricity generation capacity is less than 3 per cent in a host country then microscale hydropower is eligible for DNA recommendation in that host country.

¹² All technologies/measures included in approved Type II small-scale CDM methodologies are eligible to be considered. Further, the Board at its fifty-seventh meeting clarified that all CDM project activities that



- (a) The geographic location of the project activity is in an LDC/SIDS or special underdeveloped zone of the host country identified by the government before 28 May 2010;
- (b) The project activity is an energy efficiency activity with both conditions (i) and (ii) below satisfied:
 - (i) Each of the independent subsystems/measures in the project activity achieves an estimated annual energy savings equal to or smaller than 600 megawatt hours;
 - (ii) End users of the subsystems or measures are households/communities/SMEs.

4. Other project activities not included in paragraphs 2 or 3 above, i.e. Type III project activities¹³ that aim to achieve emission reductions at a scale of no more than 20 ktCO₂e per year, are additional if any one of the following conditions is satisfied:

- (a) The geographic location of the project activity is an LDC/SIDS or special underdeveloped zone of the host country as identified by the government before 28 May 2010;
- (b) The project activity is an emission reduction activity with both conditions (i) and (ii) below satisfied:
 - (i) Each of the independent subsystems/measures in the project activity achieves an estimated annual emission reduction equal to or less than 600 tCO₂e per year; and
 - (ii) End users of the subsystems or measures are households/communities/SMEs.

5. Project activities that meet the requirements specified in paragraph 2 or paragraph 3 or paragraph 4 above are termed “Microscale CDM project activities”.

6. “Project activity” in paragraphs 2–4 means a small-scale or large-scale clean development mechanism (CDM) project activity or a project activity under a programme of activities (CPA of a PoA).

7. In the case of bundled projects, “Project activity” in paragraphs 2-4 refers to individual projects within the bundle and these guidelines are applied in conjunction with the “Guidelines on assessment of debundling for SSC project activities” (EB 54, annex 13) excluding paragraph 3 of section A¹⁴ of the latter guidelines.

meet the criteria specified in the guidelines are eligible to apply the guidelines irrespective of the scale of the approved CDM methodology applied to the project.

¹³ All technologies/measures included in approved Type III small-scale CDM methodologies are currently eligible to be considered, except for AMS-III.V “Decrease of coke consumption in blast furnace by installing dust/sludge recycling system in steel works”, AMS-III.P “Recovery and utilization of waste gas in refinery facilities”, AMS-III.Q “Waste Energy Recovery (gas/heat/pressure) Projects” and AMS-III.W “Methane capture and destruction in non-hydrocarbon mining activities”. In the latter cases further analysis is required.

¹⁴ This means that the following paragraph of the debundling guidelines is not applicable: “If a proposed small-scale project activity is deemed to be a debundled component in accordance with paragraph 2 above, but total size of such an activity combined with the previous registered small-scale CDM project activity does not exceed the limits for small-scale CDM project activities as set in paragraph 6 (c) of the decision



8. The eligibility of project activities as microscale CDM project activities will be determined in accordance with the principles laid out in paragraph 3 and paragraph 4 of the “General Guidelines to SSC CDM methodologies” (version 16 or its update), i.e.:

- (a) Project activities remain under the thresholds defined above during each year of the crediting period and in cases where ex ante projected emissions reductions show an increase during the crediting period; project activities that go beyond the microscale limits in any year of the crediting period are not eligible;
- (b) Renewable energy projects that produce electrical, thermal and mechanical energy, and cogeneration projects are covered. Definitions provided for output capacity and guidelines provided for conversion from electrical to thermal units¹⁵ in the most recent version of “General Guidelines to SSC CDM methodologies” shall be used. Where applicable, additional guidelines provided in relevant methodologies shall be followed, e.g. eligibility of cogeneration projects as currently defined in AMS-I C;
- (c) A project activity with more than one component, where each component meets the microscale threshold, is eligible. The sum of the size of components of a project activity belonging to the same type (capacity for Type I, energy savings for Type II and emission reductions for Type III) shall not exceed the limits for microscale project activities (e.g. the limit for the methane recovery component is 20 ktCO₂e/yr and the limit for the electricity production component is 5 MW output capacity).

9. Microscale CDM project activities shall apply the “Guidelines on the demonstration and assessment of prior consideration of the CDM” (EB 57, paragraph 12).

10. Microscale CDM project activities shall demonstrate that they are not a debundled component of a small-scale (SSC) CDM project activity by applying the criteria in the “Guidelines on assessment of debundling for SSC project activities”, for example by suitably considering microscale thresholds in the place of SSC thresholds (EB 62, para 48).

17/CP.7,3 the project activity can qualify to use simplified modalities and procedures for small-scale CDM project activities”.

¹⁵ That is multiply by 3 to derive thermal units from electrical units irrespective of the type of project or methodology applied.

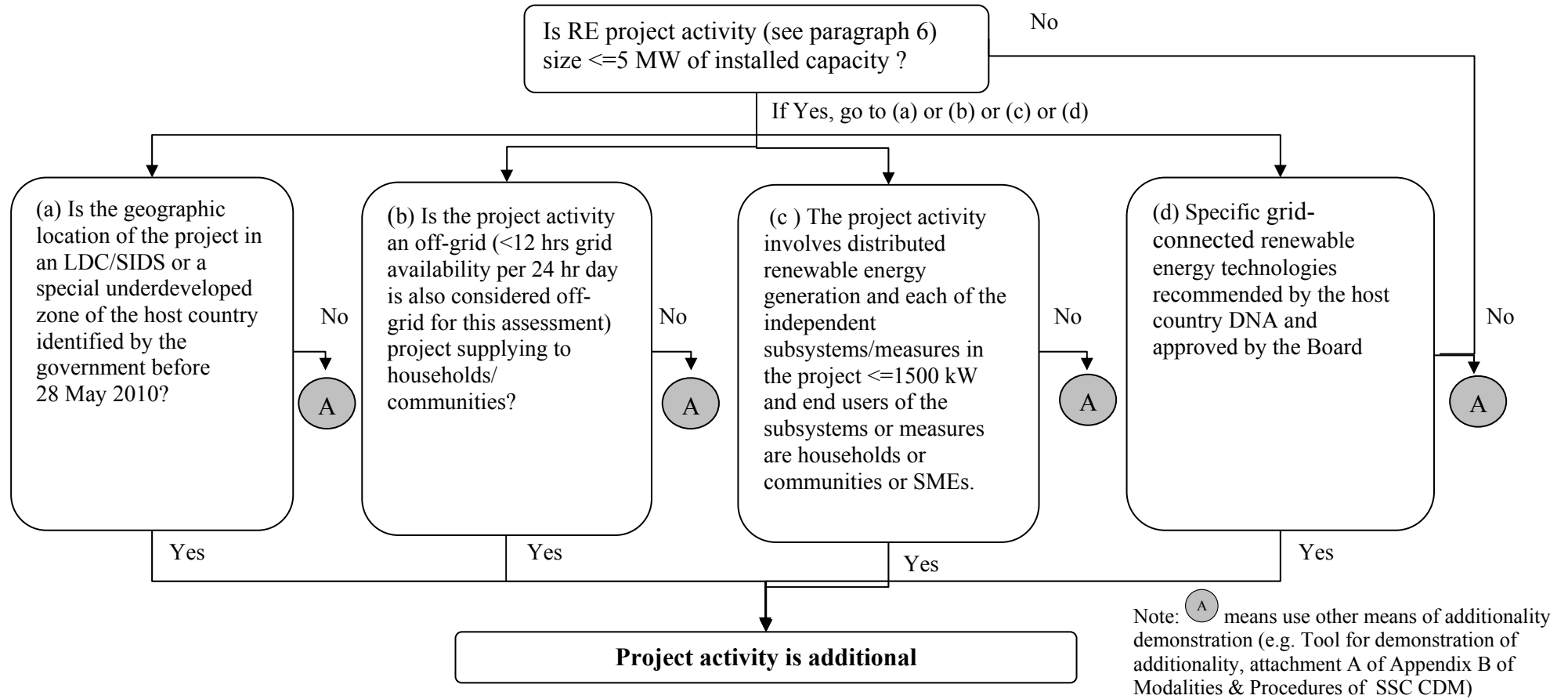


Figure 1: Microscale additionality test for RE project activities

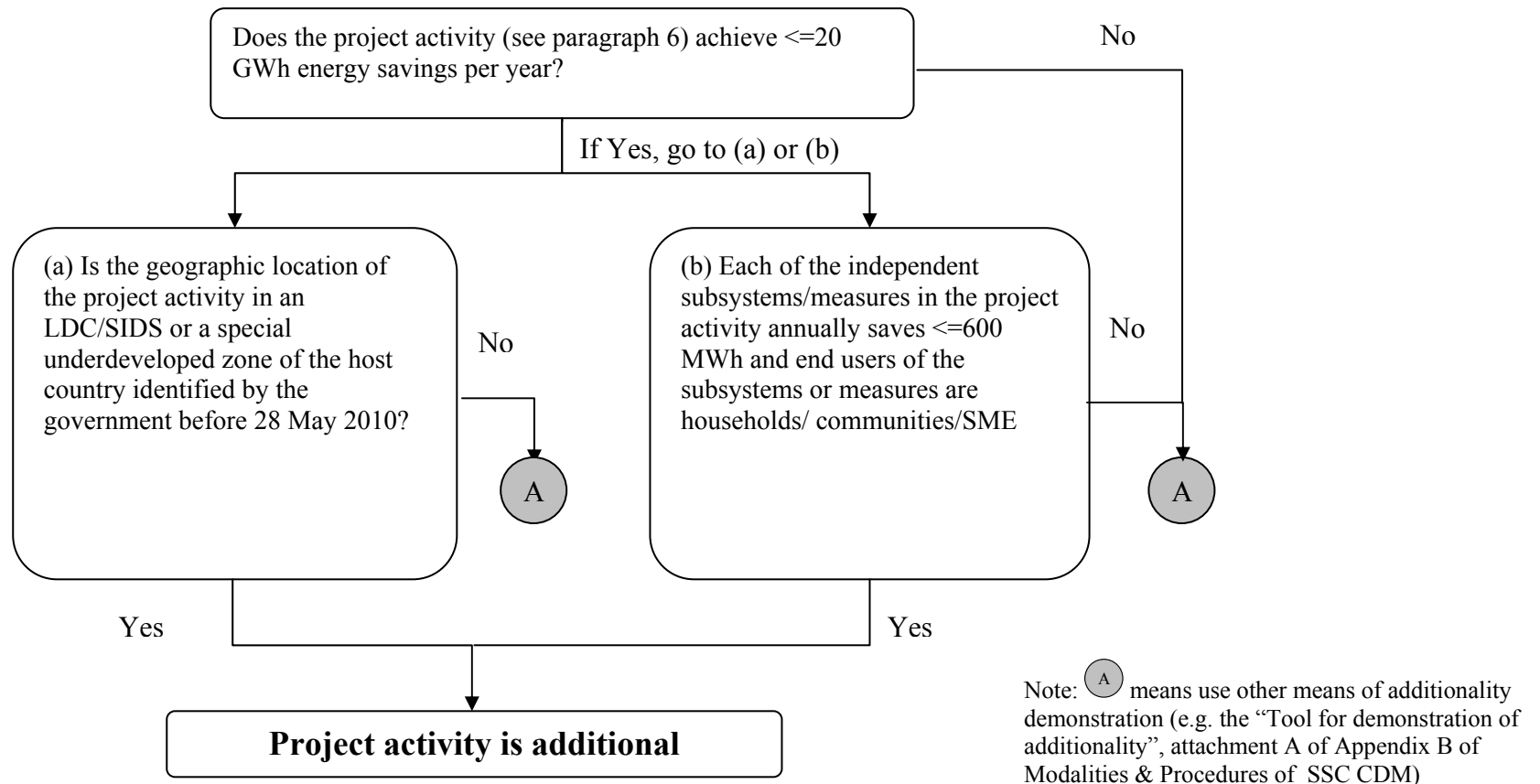


Figure 2: Microscale additionality test for EE project activities

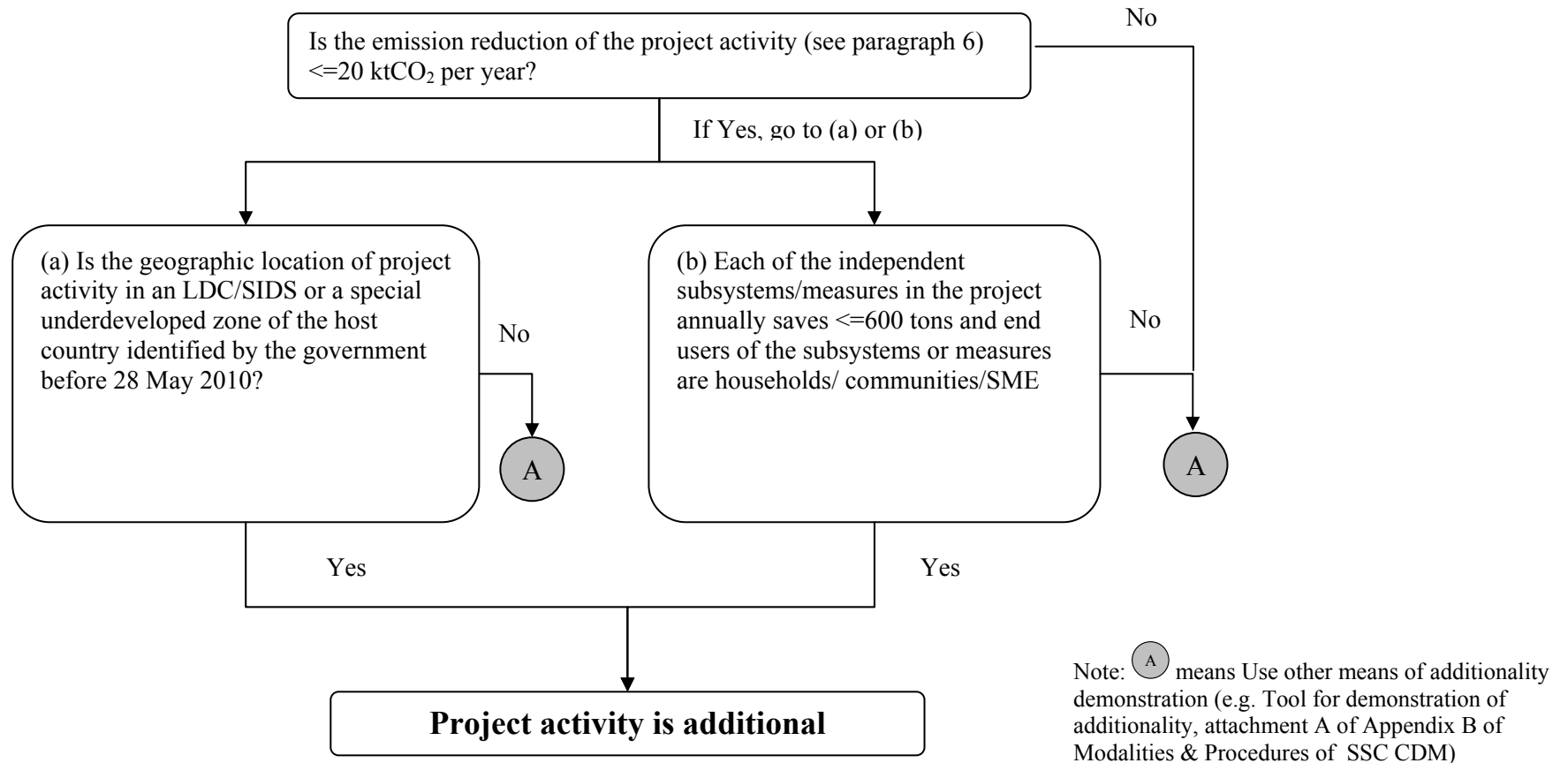


Figure 3: Microscale additionality test for project activities <= 20 ktCO₂/y



History of the document

Version	Date	Nature of revision
04	20 July 2012	EB 68, Annex # - Include options to define the special underdeveloped zones in a host country; - Clarify the eligibility for project activities generating thermal energy such as solar water heaters displacing grid-connected electric heaters; - Provide an example for the definition of “communities”.
03	EB 63, Annex 23 29 September 2011	-Header removed that was inadvertently added to version 02; -Provision of additional guidance on paragraph 2 (d), specifically on the definition of the applicable threshold.
02	EB 60, Annex 25 15 April 2011	-Title of document has been changed. -Inclusion of Type III projects, CPAs, project activities with more than one component.
01	EB 54, Annex 15 28 May 2010	Initial adoption.
Decision Class: Regulatory Document Type: Guideline Business Function: Methodology		