

CDM-SSCWG40-A08

Draft Guideline

Demonstrating additionality of microscale project activities

Version 05.0

DRAFT



United Nations
Framework Convention on
Climate Change

COVER NOTE

1. Procedural background

1. The Executive Board of the clean development mechanism (hereinafter referred to as the Board), at its sixty-eighth meeting, adopted a revision of the “Guidelines for demonstrating additionality of microscale project activities” to include options to define a special underdeveloped zone (SUZ) in a host country. (EB 68, annex 26, version 04.0)
2. The Board, at its seventieth meeting, adopted a revision of the procedure for “Submission and consideration of microscale renewable energy technologies for automatic additionality” (EB 70, annex 37, version 02.0), which includes the procedure for the Board to consider and approve the SUZs proposed by designated national authorities (DNAs).
3. At its 40th meeting the SSC WG recommended that the Board consider the proposal to revise the approved “Guidelines for demonstrating additionality of microscale project activities”.

2. Purpose

4. The purpose of the draft revised guidelines is to update a reference to the procedure “Submission and consideration of microscale renewable technologies for automatic additionality” and implement other minor editorial revisions.

3. Key issues and proposed solutions

5. While adopting a revision of the guidelines, the Board stated that “Forms and procedures for DNA recommendations shall be developed and made available at a later date”. Since the procedure has been put in place, the draft revised guidelines now include a reference to the procedure for “Submission and consideration of microscale renewable technologies for automatic additionality”.

4. Impacts

6. The draft revised guidelines provide clarity on the procedure to be followed for DNA recommendations on SUZs.

5. Proposed work and timelines

7. The proposed draft revision of the guidelines is recommended by the SSC WG to be considered by the Board at its seventy-third meeting.

6. Recommendations to the Board

8. The secretariat recommends that the Board consider the proposal.

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1. Introduction

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.”

2. Scope, applicability, and entry into force

2.1. Scope

2. This guidelines provide simplified modalities for demonstrating additionality for the project activity which meets one of the following criteria:
 - (a) Type I: Project activities up to 5 MW that employ renewable energy as their primary technology;
 - (b) Type II: Energy efficiency project activities that aim to achieve energy savings at a scale of no more than 20 GWh per year; or
 - (c) Type III: Other project activities not included in Type I or Type II that aim to achieve GHG emissions reductions at a scale of no more than 20 kt CO₂e per year.

2.2. Applicability

3. Please refer to paragraphs 8, 9 and 10.

2.3. Entry into force

4. The date of entry into force is the date of the publication of the EB 73 meeting report on 31 May 2013.

3. Normative references

5. Project participants shall follow the applicable provisions for the demonstration of additionality in the CDM Project Standard.

4. Definitions

6. The definitions contained in the Glossary of CDM terms shall apply.
7. The definitions of SUZ provided in paragraph 8 and its footnote shall apply.

5. Guidelines¹

8. Project activities up to five megawatts[†] 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;
 - (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:
 - a. The proportion of population with income less than USD 2 per day (PPP)⁴ in the region is greater than 50 **per cent %**;
 - b. The GNI per capita in the country is less than USD 3000⁵ and the population of the region is among the poorest 20 **per cent %** in the

¹ A positive list of technologies that are automatically defined as additional are included in “Guidelines on the demonstration of additionality of small-scale project activities” for which it is not required to satisfy the conditions indicated here (see EB 68, annex 27).

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 “Guidelines on the demonstration of additionality of small-scale project activities”).

⁴ Purchasing power parity.

⁵ PPP or the World Bank atlas method or another comparable method.

poverty ranking of the host country as per the applicable national policies and procedures;⁶

- (ii) In cases where, based on the recommendation of the designated national authority of the host country,⁷ 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 8(a) above;⁸
- (b) The project activity is an off-grid activity supplying energy to households/communities (less than 12 hours grid availability per 24 hours is also considered “off-grid” for this assessment);
- (c) The project activity is designed for distributed energy generation (not connected to a national or regional grid)⁹ with both conditions (i) and (ii) satisfied;
 - (i) Each of the independent subsystems/measures in the project activity is smaller than or equal to 1500 kW electrical installed capacity;
 - (ii) End users of the subsystems or measures are households/communities/small and medium enterprises (SMEs);¹⁰
- (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 technologies¹¹ of installed capacity equal to or smaller than 5 MW;

⁶ Information on per capita income or other economic indicators used for the ranking purposes shall be provided in USD.

⁷ DNA recommendations will be based on conditions indicated in paragraph 8(a)(i).

⁸ ~~Forms and procedures for DNA recommendations shall be developed and made available at a later date. The process for the Board to consider and approve the SUZs proposed by DNAs is established in the procedure for “Submission and consideration of microscale renewable energy technologies for automatic additionality”.~~

⁹ This means that projects applying ~~AMS-I.D~~ “AMS-I.D: Grid connected renewable electricity generation” are not eligible. However, project activities generating thermal energy such as solar water heaters displacing grid-connected electric heaters can apply paragraph 8(c).

¹⁰ “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”.

¹¹ Renewable technologies that do not generate electricity, such as heating and cooling technologies, are not eligible.

- (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 three per cent;¹²
 - (iii) Most recent available data on the percentage of contributions of specific renewable energy technologies shall be provided to demonstrate compliance with the three 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).
9. Energy efficiency project activities¹³ 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:
- (a) The geographic location of the project activity is in an LDC/SIDS or **SUZ special underdeveloped zone** of the host country identified by the government in accordance with the paragraph 8(a)(i) above;
 - (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.
10. Other project activities not included in paragraphs 8 or 9 above, **i.e. that is** Type III project activities¹⁴ 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:

¹² For example, if the ratio of total installed capacity of all grid-connected hydropower plants with the capacity equal to or smaller than 5 MW and the national grid-connected installed electricity generation capacity is less than three per cent in a host country then microscale hydropower is eligible for DNA recommendation in that host country.

¹³ 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 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.

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- (a) The geographic location of the project activity is an LDC/SIDS or **SUZ special underdeveloped zone** of the host country as identified by the government in accordance with the paragraph **8(a)(i)** above;
 - (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.
11. Project activities that meet the requirements specified in paragraph **8** or paragraph **9** or paragraph **10** above are termed “Microscale CDM project activities”.
 12. “Project activity” in paragraphs **8–10** 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).
 13. In the case of bundled projects, “Project activity” in paragraphs **8–10** 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 A¹⁵ of the latter guidelines.
 14. 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 **for to** SSC CDM methodologies” (version 16 or its update), **that is 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 units¹⁶

¹⁴ 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.

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

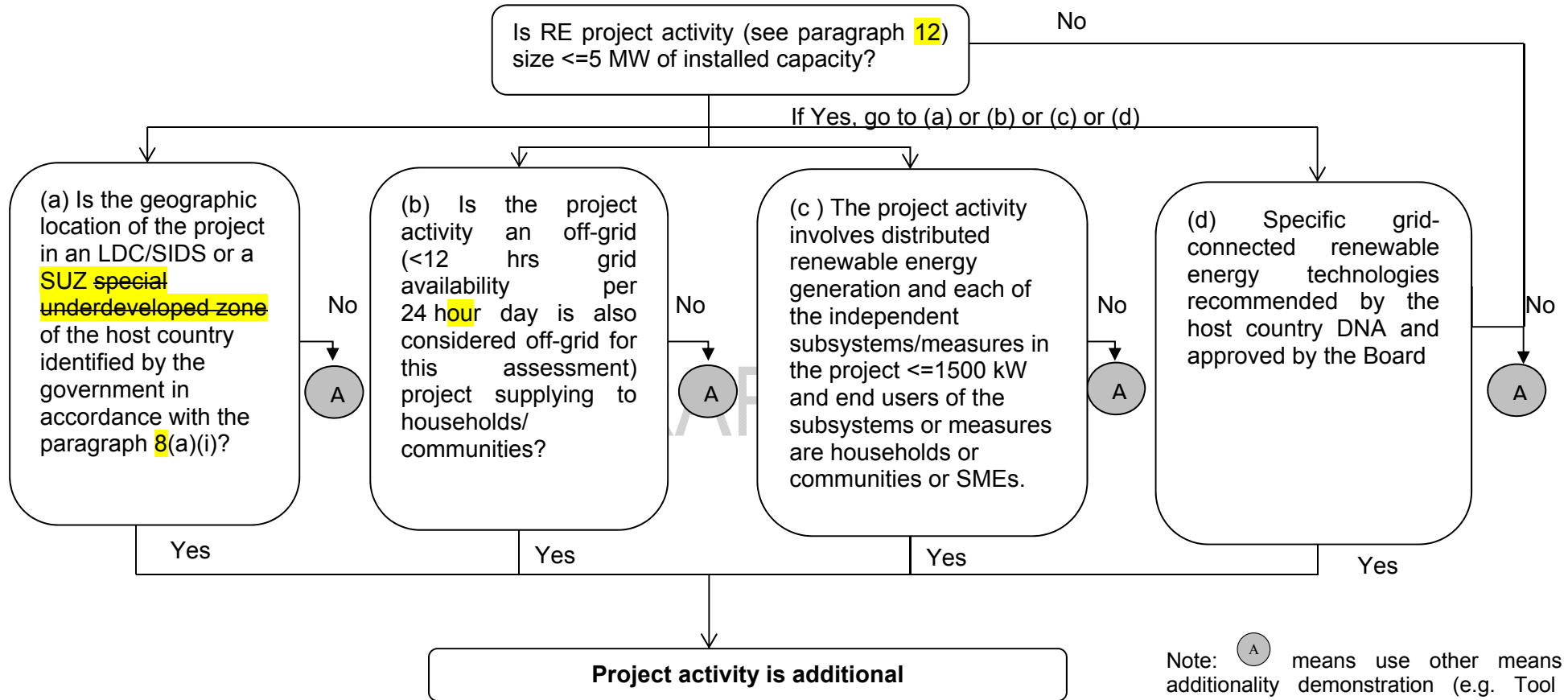
¹⁶ That is multiply by three to derive thermal units from electrical units irrespective of the type of project or methodology applied.

in the most recent version of “General Guidelines for SSC CDM methodologies” shall be used. Where applicable, additional guidelines provided in relevant methodologies shall be followed, ~~e.g.~~ for example eligibility of cogeneration projects as currently defined in “AMS-I.C: Thermal energy production with or without electricity”;

- (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).
15. Microscale CDM project activities shall follow the applicable provisions for demonstration of prior consideration of the CDM in the CDM Project Standard. ~~apply the “Guidelines on the demonstration and assessment of prior consideration of the CDM” (EB 57, paragraph 12).~~
16. 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).

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Figure 1. Microscale additionality test for RE project activities



Note: (A) means use other means of additionality demonstration (e.g. Tool for demonstration of additionality, “Guidelines on the demonstration of additionality of small-scale project activities”)

Figure 2. Microscale additionality test for EE project activities

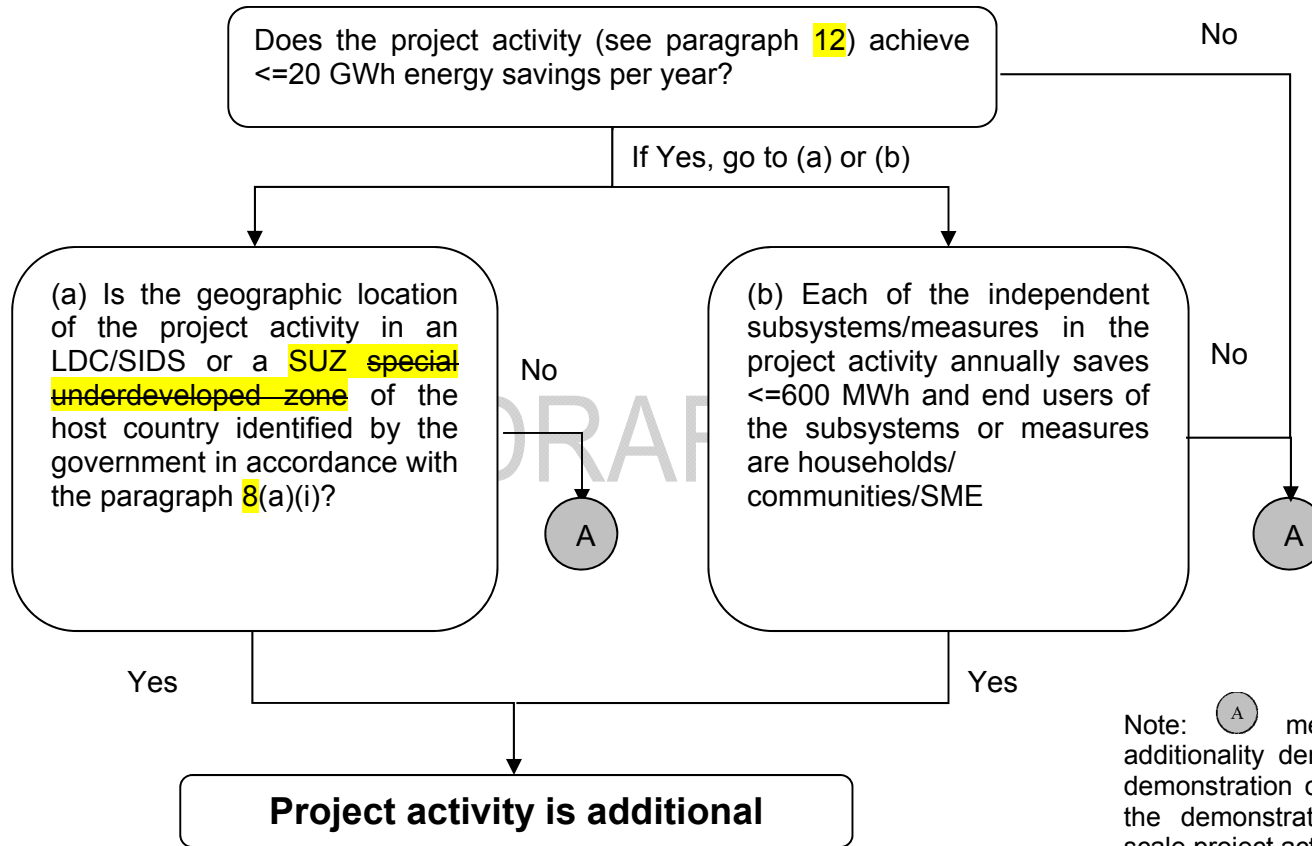
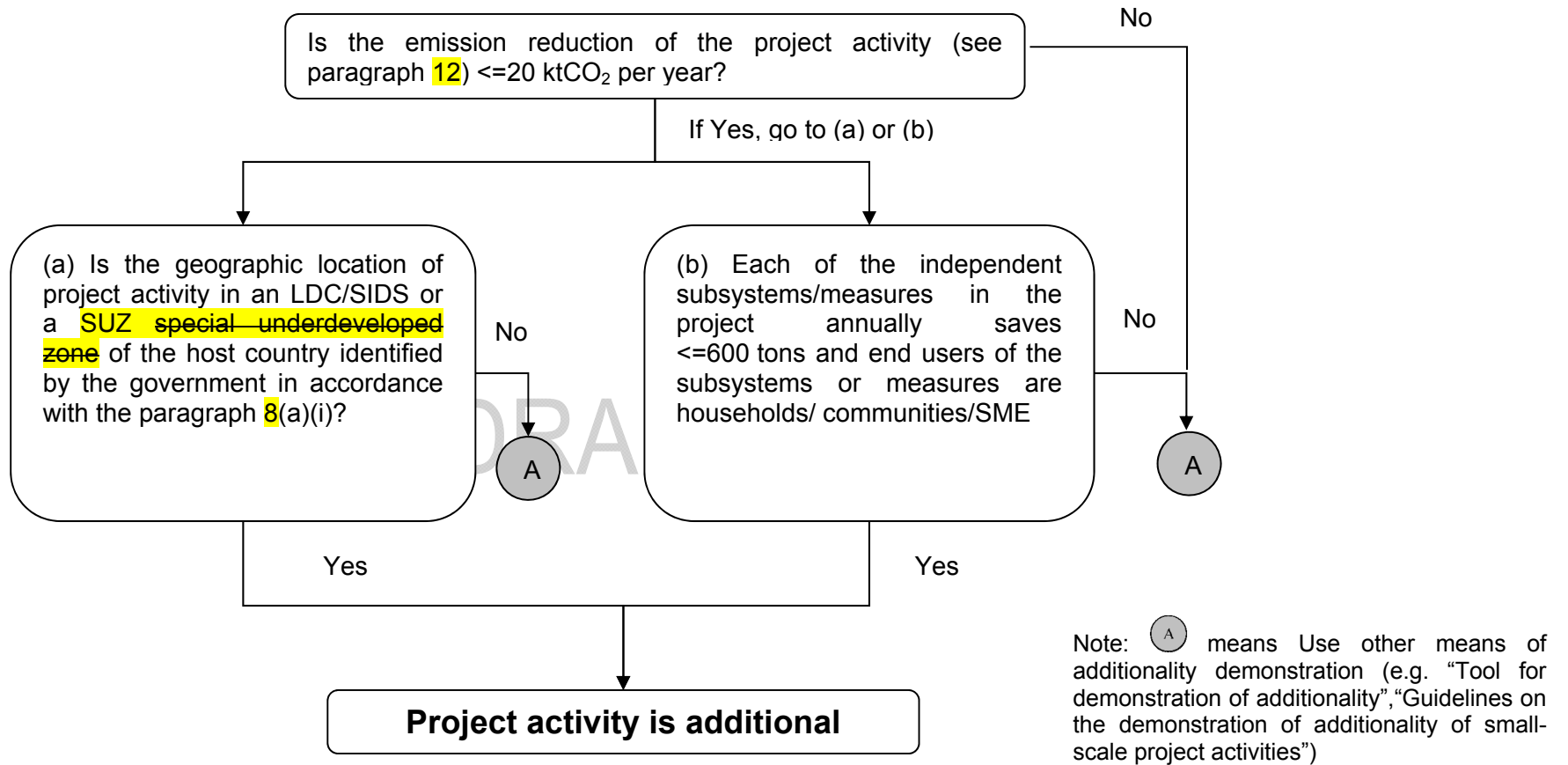


Figure 3. Microscale additionality test for project activities ≤ 20 ktCO₂/y



Document information

<i>Version</i>	<i>Date</i>	<i>Description</i>
05.0	3 May 2013	SSC WG 40, Annex 8 To be considered at EB 73. <ul style="list-style-type: none">- The proposed revision updates a reference to the procedure "Submission and consideration of microscale renewable technologies for automatic additionality".
04.0	20 July 2012	EB 68, Annex 26 <ul style="list-style-type: none">- Includes options to define the special underdeveloped zones in a host country;- Clarifies the eligibility for project activities generating thermal energy such as solar water heaters displacing grid-connected electric heaters;- Provides an example for the definition of "communities".
03	29 September 2011	EB 63, Annex 23 <ul style="list-style-type: none">- 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	15 April 2011	EB 60, Annex 25 <ul style="list-style-type: none">- Title of document has been changed.- Inclusion of Type III projects, CPAs, project activities with more than one component.
01	28 May 2010	EB 54, Annex 15 Initial adoption.

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