

**REPORT OF THE SECOND MEETING  
OF THE SMALL-SCALE WORKING GROUP**  
UNFCCC Headquarters, Bonn, Germany  
16- 17 May 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), Ms. Gertraud Wollansky and 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 agenda of the meeting was adopted.

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

3. The SSC WG considered the following eight (8) submissions on small-scale methodologies:
  - (a) FAO, 11 March 2004;
  - (b) Eratech Chile Lta., 2 March 2005;
  - (c) Mr. Bernhard Schlamadinger, 12 March 2005;
  - (d) Tuev Sued, 8 March 2005;
  - (e) Det Norske Veritas (DNV), 16 December 2004, 15 February 2005;
  - (f) SouthSouthNorth (Africa), 31 March 2005;
  - (g) Factor Consulting + Management AG, 18 April 2005.
4. Taking into consideration issues raised in these submissions the SSC WG:
  - (a) Agreed that amendments to the indicative simplified baseline and monitoring methodologies for selected small-scale CDM project activity categories contained in Appendix B to simplified modalities and procedures for small-scale CDM project activities (referred herewith as Appendix B) in order to allow bio-fuels projects to be implemented under type I activities may be further developed. The SSC WG agreed to consider a draft proposal for these activities at its next meeting.
  - (b) Agreed that a new category for addressing the use of renewable energy for transportation shall be developed under type I activities. The development of this category would however first need further clarification on the definition of renewable biomass and the group shall therefore discuss a proposals for this at its next meeting (please see paragraph 11 below);
  - (c) Agreed that a new category for methane avoidance for wastewater treatment in anaerobic systems may be further developed. The SSC WG agreed to consider a draft proposal for this category at its next meeting.
  - (d) Recommends the Board to further clarify that as stipulated in the simplified modalities an procedures for small-scale CDM project activities, the three types of eligible small-scale project activities are mutually exclusive and that project participants submitting new categories of projects should first consider whether they belong to type I (renewable energy projects), to type II (energy efficiency improvements) and if not eligible under the two previous types, type III (other small-scale CDM project activities).

5. The SSC WG took note of the following submissions on small-scale methodologies that were received too close to the meeting and were therefore not fully considered. The SSC WG will further deliberate on these submissions at its next meeting:

- (a) World Bank - Carbon Finance Business, 24 April 2005;
- (b) Tuev Sued, 2 May 2005;
- (c) Det Norske Veritas (DNV), 2 May 2005.

### **C. Bundling of small-scale project activities**

6. After consideration of provisions contained in paragraphs 9 (a), 19, 20, 22 (e), 32 and 34 of the simplified modalities and procedures for small-scale CDM project activities, the SSC WG agreed on the following recommendations regarding bundling of CDM project activities:

- (a) Projects wishing to be bundled shall indicate as of the request for registration that they will be bundled at one or all stages of the CDM project cycle;
- (b) In order to comply with the requirement of paragraph 9 (a) of the simplified modalities and procedures for small scale CDM project activities that the size of the total bundle should not exceed the limits stipulated in paragraph 6 (c) of decision 17/CP.7:
  - (i) Option 1: Only project activities of the same type can be bundled; OR
  - (ii) Option 2: Different types project activities can be bundled provided that the total sum of projects per type not exceed the limits stipulated in paragraph 6 (c) of decision 17/CP.7.
- (c) Once a project activity becomes part of a bundle it shall not be de-bundled;
- (d) Composition of bundles shall not change over time (i.e. the submission of projects to be used in a bundle shall be made at the same time);
- (e) All project activities in the bundle shall have the same crediting period.

7. The SSC WG has considered implications for bundling for four cases of bundling of project activities:

- (a) Bundling of projects of same type, same category and technology/measure;
- (b) Bundling of projects of same type, same category and different technologies/measures;
- (c) Bundling of projects of same type, different categories and technologies/measures;
- (d) Bundling of projects of different types (*note that the eligibility of this case depends on whether the Board agrees with option 2 of paragraph 6 (b) above. The bundle of different types could cover "sub-bundles" for each of the types. These "sub-bundles" could be treated as cases (a), (b) or (c) above, as appropriate*).

8. The implications of each of these cases of bundle are summarized in the table contained in annex 1 to this report.

9. Taking in consideration the four situations outlined in paragraph 7 (a) to (d) above the SSC WG recommends that:

*Submission of CDM-SSC-PDD:*

(a) For cases covered under paragraphs 7 (a) and (b) project participants may submit a single CDM-SSC-PDD while for cases covered under paragraph 7 (c) and (d) project participants would have to make the submission of the bundle using a CDM-SSC-PDD for each of the component project activities contained in the bundle. Cases covered under paragraph 7 (c) could exceptionally use the same CDM-SSC-PDD if the simplified methodology available for this case would explicitly link the technologies/measures to more than one category;

*Baseline scenario:*

(b) For cases under paragraphs 7 (a) and (b) above project participants may use a single baseline scenario under criteria to be further developed by the SSC WG. For cases under paragraph 7 (c) and (d) baseline scenarios will have to be developed for each of the component project activities;

*Validation and registration:*

(c) A bundle shall be validated by one DOE and covered by a single validation report;

(d) The letter of approval by the host Party(ies) has to indicated that the Party is aware that the component project activity(ies) taking place in its territory is part of the bundle;

(e) For projects submitting different CDM-SSC-PDD: all CDM-SSC-PDDs shall be made publicly available for comments at validation stage at the same time. If, for corrective actions the DOE considers that major changes would be required in any of the project activities of the bundle, and that this would require the CDM-SSC-PDD to be made publicly available for comments another time, the whole bundle would need to be made publicly available for public comments. The DOE validating the bundle shall consider the public comments for each of the CDM-SSC-PDDs;

(f) Project participants shall at registration provide a written statement along with the submission of the bundle indicating:

- (i) That all project participants agreed that their individual project activities are part of the bundle;
- (ii) One project participant who represents all project participants in order to communicate with the Board;

(g) Bundled project activities shall be submitted in a single submission to the Board and pay only one fee corresponding to the sum of estimated emission reductions of the total bundle;

(h) If three Board members or a Party involved in a component project activity requests the review of the component project activity, the total bundle remains under review and the implications and recommendations on the review of project activity shall lead to a decision by the Board to register or not register the bundle.

*Monitoring and verification/certification:*

(i) For cases under paragraph 7 (a) a common monitoring plan can be used in accordance with paragraph 34 of the simplified modalities and procedures of CDM small-scale project activities. In this case a single verification and certification report shall be submitted by the DOE.

(j) For cases under paragraph 7 (b), (c) and (d) separate monitoring plans and reports for each of the component project activities are required. In these cases a single verification and certification report can be submitted for the bundle provided that it appraises each of the component project activities of the bundle separately and covers the same verification period.

#### *Issuance*

(k) If a bundle of project activities is submitted with different CDM-SSC-PDDs, each of the component project activities shall have a identification number for purposes of issuance of CERs. If project activities are submitted in a single CDM-SSC-PDD it shall have only one identifier for purposes of issuance of CERs.

10. The SSC WG further recommends that once the Board agrees on clarifications and guidance for bundled project activities the SSC WG may revise the guidelines to the CDM-SSC-PDD in order to incorporate the guidance.

#### **D. Treatment of biomass**

11. The SSC WG noted that the AR WG and the Meth Panel shall, at their next meeting, prepare a joint recommendation to the Board on definitions of renewable and non renewable biomass. The SSC WG acknowledges that after definitions for renewable and non-renewable biomass have been developed amendments to the Appendix B to the simplified modalities and procedures for small-scale project activities would be needed to ensure consistency of reference to renewable biomass and non-renewable biomass across different types.

#### **E. Form for Submissions on Small Scale Methodologies**

12. In order to improve the processing of queries on and/or proposals for amendments to Appendix B, the SSC WG agreed on the form F-CDM-SSC-Subm ver 01 contained in annex 2 to this report.

13. The SSC WG also noted that, due to the increased number of queries and proposals, submissions will have to be treated on a first come first serve basis and that the working group will only consider cases that would have been submitted four weeks before its meetings.

#### **F. Simplified project design document (SSC-PDD)**

14. The SSC WG agreed on recommendations for the revision of the simplified project design document for small-scale CDM project activities (CDM-SSC-PDD) and its guidelines for completing the simplified project design document for small-scale CDM project activities (CDM-SSC-PDD) as contained in annex 3 and annex 4 to this report. In addition to instructions for the use of the CDM-SSC-PDD (version 2), the guidelines contain a glossary of terms for small-scale CDM project activities and instructions to use the form F-CDM-SSC-Subm ver 01.

#### **G. Limits of types of small-scale CDM project activities over the crediting period**

15. The SSC WG considered the request of the Board at its nineteenth meeting to develop recommendations to the Board on implications for the eligibility of project activities as small-scale project activities in cases where emissions of a proposed project activity are increasing during the crediting period. The SSC WG recommends:

(a) That small-scale CDM project activities shall remain under the limits for small-scale CDM project activities types, as stipulated in paragraph 6 (c) of the CDM modalities and procedures, every year during the crediting period.

(b) If a project activity goes beyond the limit of its type in any year of the crediting period, the emission reduction that can be claimed by the project during this particular year will be capped by the maximum emission reduction estimated in the CDM-SSC-PDD by the project participant for that year during the crediting period.

(c) Project participants shall demonstrate in the CDM-SSC-PDD that the project characteristics are defined in a way that precludes projects to go beyond the limits:

- (i) For type I: project participants shall provide proof that the installed capacity of the proposed project activity will not increase beyond 15MW;
- (ii) For type II: project participants shall provide proof that the efficiency improvements are below the equivalent of 15 gigawatt hours per year every year throughout the crediting period;
- (iii) For type III: project participants shall provide an estimation of emissions of the project over the crediting period and proof that the emissions every year will not go beyond the limits of 15 KtCO<sub>2</sub>e/y over the entire crediting period.

16. Projects using renewable crediting period shall reassess their compliance with the limits at the renewal of the crediting period.

#### **H. Schedule of meetings**

17. The working group agreed to tentatively schedule its third meeting from 12-13 September 2005 with possibility of having an additional meeting from 24-25 October 2005, depending on submissions received on small-scale methodologies.

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