REPORT OF THE THIRD MEETING
OF THE SMALL-SCALE WORKING GROUP
UNFCCC Headquarters, Bonn, Germany
12- 13 September 2005

A. Opening of the meeting and adoption of the agenda

1. The Chair of the Small-Scale Working Group (SSC WG), Ms. Gertraud Wollansky, 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 14 submissions on small-scale methodologies:

Submission Number	Title	Submitter	Date
SSC_005	"Reducing non-renewable wood energy that causes net carbon emissions from the land use sector"	B. Schlamadinger, I. Jürgens	06 September 2004
SSC_012	"Behaviour-oriented demand-side energy efficiency programmes in the transport sector"	Factor Consulting	18 April 2005
SSC_014	"Avoidance of thermal energy input in small-scale industrial processes"	Carbon Finance Business, World Bank.	24 April 2005
SSC_016	"Request for clarification on I.A, I.D, III.D, III.E"	DNV	02 May 2005
SSC_017	"Increase in generation of an existing hydro-electricity facility by increasing the flow of water into the reservoir and which supply electricity to an electricity distribution system"	Tuev Sued	02 May 2005
SSC_020	"CCP Wastewater Project in the Philippines".	Mitsubishi Securities	29 June 2005
SSC_022	"Request for guidance on interpretation of 45 MWTh threshold"	SGS	19 July 2005
SSC_023	"Changing the typology 1.C."	South South North	07 August 2005
SSC_024	"Recovery of methane from biomasss decay through waste treatment"	Carbon Finance Business, World Bank.	10 August 2005
SSC_025	"Avoidance of methane production from biomass decay through composting"	Carbon Finance Business, World Bank.	10 August 2005
SSC_027	"Type III - other project activity"	Jaco	12 August 2005
SSC_028	"ASM.I.D. –Renewable electricity for a grid"	KPMG	12 August 2005
SSC_029	"Definition of clarification of 15 G Wh/yr threshold for thermal energy efficiency improvement projects"	Naoki Matsuo	15 August 2005
SSC_030	"AMS-III. Types"	Naoki Matsuo	15 August 2005

4. Taking into consideration issues raised in these submissions the SSC WG recommends the amendments to the indicative simplified baseline and monitoring methodologies for selected small-scale CDM project activity categories (Appendix B of the simplified modalities and procedures for small-scale CDM project activities) as contained in annex 1 to this report.

5. The reasoning for the changes are explained as follows:

Type I.A. - Electricity generation by the user - para 5 (c)

6. The amendment was considered necessary to allow calculation of energy baseline based on the historic fuel use of existing technology being replaced. Although paragraph 5 allowed for this calculation the methodology did not provide for a procedure for that.

Type I.C - Thermal energy for the user – para 3

7. The amendment was considered necessary in order to clarify that for large systems consisting of many thermal generation units (boilers), in which only part are going to be affected by the proposed project activity, the combined capacity of the boiler(s) affected by the project must be smaller than 45 MW_{th}.

Type I.D. Renewable electricity generation for a grid – title and paras 1 and 3

8. The amendment was considered necessary to accommodate the possibility of self consumption and displacement of the grid electricity supply, the title of the indicative methodology should be changed to 'Grid Connected Renewable Electricity Generation' and language in paragraphs 1 and 3 are modified to include option of displacement of grid electricity in addition to supply to the grid.

Types II. A. Supply side energy efficiency improvements – transmission and distribution, II.B. Supply side energy efficiency improvements – generation and II. D. Energy efficiency and fuel switching measures for industrial facilities - para 1

9. The amendment was considered necessary to provide further clarification that an equivalence factor between thermal and electrical energy is also applicable to small-scale CDM project activities of Type II.

Type II.F. - Energy efficiency and fuel switching measures for agricultural facilities and activities – para 1

10. The amendment was considered necessary in order to ensure consistency with the approach recommended by the SSC WG that biofuels should be considered as type I activities. It is therefore recommended to delete the example contained in paragraph 1.

Type III. - Methane recovery – para 6

11. The amendment was considered necessary to expand the possible use of recovered methane in different categories of renewable project activities.

12. The SSC WG agreed on the need to provide more detailed guidance regarding the **direct project emissions to be considered under type III activities** of the indicative simplified baseline and monitoring methodologies for small-scale CDM project activities. The SSC WG agreed to consider a draft proposal for such guidance at its next meeting.

13. The SSC WG agreed to **revise the categories for type III activities in order to provide more accurate methodologies for specific characteristics of project activities** that may fall under this type, i.e. wastewater treatment, coal mine methane and landfill gas project activities would need different methodologies. The SSC WG has, in particular, started developing categories for (i) avoidance of

methane production in wastewater treatment through replacement of anaerobic lagoons by aerobic systems and (ii) avoidance of methane production from biomass decay through composting.

14. The SSC WG agreed on the need to develop recommendations on how to address **renewable energy capacity additions as eligible activities under type I,** in particular concerning the application of the definition of "installed capacity" and how to develop baseline scenarios for hydropower.

15. The SSC WG agreed to recommend to the Board that the simple increase of **input of renewable source** (e.g. increase of hydro flows) without changing the capacity of the plant may qualify as a small-scale project activity only if the capacity of the plant is under the applicable small-scale limits.

16. The SSC WG further agreed on the need to **develop general guidelines for monitoring** of small-scale project activities to be included in the introductory part of the indicative simplified baseline and monitoring methodologies for small-scale CDM project activities.

17. The SSC WG considered a proposal where **"transfer of know-how and training that induce behavior changes" are proposed as a possible CDM project activity**. The SSC WG recommends that the specific case will be shared for discussion with the Meth Panel, in order to prepare a final recommendation to the Board regarding the eligibility of such activities as CDM project activities and the feasibility of developing a monitoring methodology for such cases.

C. Bundling of small-scale project activities

18. In response to the request by the Board at its twentieth meeting, and taking into consideration two inputs submitted by project participants (World Bank), the SSC WG agreed on additional recommendations on guidance for bundling as contained in annex 2 to this report. Based on guidance by the Board the SSC WG will prepare a proposal for technical guidelines for bundling including on how to fill the CDM-SSC-PDD.

D. Treatment of biomass

19. Following the guidance of the Board at its twentieth meeting regarding the consideration of changes in carbon pools due to a CDM project activity and a recommendation by the afforestation and reforestation working group (AR WG), the SSC WG proposes to revise the simplified baseline and monitoring methodologies for selected small-scale CDM project activities as contained in annex 1 by deleting references to "non-renewable biomass" as a plausible baseline scenario. The SSC WG acknowledges, however, that, through the many submissions received, there is an increasing potential in non-Annex I Parties for situations where there may be a switch to fossil fuels unless there is an improved efficiency in the use of non-renewable biomass. The SSC WG may develop at its next meeting a proposal regarding the treatment of these projects for the consideration of the Board.

20. The SSC WG also agreed on the need to develop, in collaboration with the AR WG, a proposal of procedures to address leakage from biomass project activities.

21. The SSC WG agreed that the further development of methodologies to address biofuels will depend on the recommendations by the AR WG regarding definition of renewable biomass and leakage procedures for biomass. The SSC WG agreed therefore to further consider at its next meeting a revised draft for incorporating the use of biofuels in the simplified baseline and monitoring methodologies for selected small-scale CDM project activities.

E. Submissions on Small Scale Methodologies

22. The SSC WG noted that the use of the form F-CDM-SSC-Subm ver 01 for submitting queries and/or proposals for amendments or new categories to the indicative simplified baseline and monitoring

methodologies for small-scale CDM project activities was very useful in facilitating the appraisal of proposals and queries.

23. The SSC WG noted, however, that it is important that submitters provide clear justifications, preferably by presenting examples, on why amendments or further categories might be necessary.

24. The SSC WG noted also that many queries seem to be similar and that it might therefore be useful to make the submissions of forms F-CDM-SSC-Subm ver 01 publicly available along with the responses provided by the SSC WG.

25. 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 reminded that the working group will only consider cases that would have been submitted four weeks before its meetings.

F. Schedule of meetings

26. The working group agreed to tentatively schedule its fourth meeting from 26 - 27 January 2005, depending on submissions received on small-scale methodologies.

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