

## Annex 3

### GUIDANCE BY THE EXECUTIVE BOARD TO THE PANEL ON GUIDELINES FOR METHODOLOGIES FOR BASELINES AND MONITORING PLANS (METH PANEL)

(Note: This annex contains guidance by the executive board to the Meth Panel regarding work items in its terms of reference (TORs).)

#### **A. Work item (a) of TORs: CDM project design document (CDM-PDD)**

1. The executive board took note of the work of the Meth Panel and agreed to release the CDM-PDD (version 01) on 29 August 2002. The understanding is that a template for reporting baseline information, is to be part of the CDM-PDD and will need to be agreed by the board. The template is to be prepared by the chair of the Meth Panel, with the assistance of the secretariat.

#### **B. Work item (b) of TORs: Decision trees**

2. The executive board noted that work on the design of a decision tree shall be started by the Meth Panel at a later stage.

#### **C. Work item (c) of TORs**

3. The executive board noted that the Meth Panel, in considering paragraphs 43 to 60 of the CDM modalities and procedures, identified issues and/or terminology which, in accordance with work item (c) of its TORs, require further guidance by the board.

4. The executive board agreed to provide guidance on the following issues:

#### **Baseline and additionality (issue linked to paragraphs 43 & 44 and appendix C, paragraph (a) (v))**

5. Paragraph 43 of the CDM modalities and procedures stipulate that a CDM project activity is additional if its emissions are below those of its baseline. The definition of a baseline is contained in paragraph 44 of the CDM modalities and procedures. The executive board agreed that no further work is required regarding this issue.

#### **Baseline approaches/methodology (issue linked to paragraph 48 and appendix C, paragraph (b) (ii))**

6. The executive board agreed that a methodology is an application of the approaches, defined in paragraph 48 of the CDM modalities and procedures, to an individual project (reflecting aspects such as sector and region). It further agreed that no methodology should be excluded *a priori* so that project participants have the opportunity to propose any methodology. In considering paragraph 48, the executive board agreed that, in the cases below, the following applies:

(a) Case of a new methodology: In developing a baseline methodology, the first step is to identify the most appropriate approach for the project activity and then an applicable methodology;

(b) Case of an approved methodology: In opting for an approved methodology, project participants implicitly choose an approach.

7. The board agreed that the three approaches identified in paragraph 48 (a) to (c) are the only ones applicable to CDM project activities. It further agreed to keep under consideration, in the context of developing its guidance as provided for in paragraph 48, the issue adding additional approaches. The Meth Panel should not devote resources to develop additional approaches.

8. The board invites the Meth Panel to consider, as soon as possible, options for a scheme to label, describe and reference approved methodologies.

**National policies (issue linked to paragraph 45 (e) and appendix C, paragraph (b) (vii))**

9. The executive board, noting that this provision is an important element to be reflected in the criteria of an approved methodology, requests the Meth Panel to:

- (a) Analyze under which circumstance national policies may be of relevance for the baseline;
- (b) Assess how national and/or sectoral policies and circumstances can be taken into account in the establishment of a baseline. The Meth Panel shall provide practical examples covering various sectors, when possible.

**Definitions of terms or concepts**

10. The board agreed that:

(a) Establishing a baseline in a “transparent and conservative manner” (paragraph 45 (b) of the CDM modalities and procedures) means that assumptions are explicitly explained and choices are substantiated. In case of uncertainty regarding values of variables and parameters, the establishment of a baseline is considered conservative if the resulting projection of the baseline does not lead to an overestimation of emission reductions attributable to the CDM project activity (that is, in the case of doubt, values that generate a lower baseline projection shall be used). It noted that the Meth Panel and the board will bear in mind this issue as they consider methodologies/projects. The board agreed that no further work is required.

(b) When analyzing how to operationalize paragraph 46 of the CDM modalities and procedures, the Meth Panel and project participants shall bear in mind paragraphs 45 (e), 48 (b) and (c). The board asked the chair of the Meth Panel to provide further clarifications to the Meth Panel on this issue.

(c) The Meth Panel should consider under which circumstances the use of an output or product-linked definition of baseline values is applicable in order to operationalize the requirement in paragraph 47 which stipulates that CERs cannot be earned for decreases from “activity levels outside the project activity”.

(d) In an operational context, the terms “measurable” and “attributable” in paragraph 51 of the CDM modalities and procedures should be read as “which can be measured” and “directly attributable”, respectively.

(e) The Meth Panel shall develop specific proposals, for consideration by the board, on how to operationalize the terms “under the control of”, “significant” and “reasonably attributable”, in paragraph 52 of the CDM modalities and procedures and appendix C, paragraphs (a) (iii) and (b) (vi).

**D. Work item (d) of TORs**

**Level of standardization of methodologies versus project-specific (paragraphs 45 (c) and 54 (a) of the CDM modalities and procedures and Appendix C, paragraph (b) (v))**

11. The board agreed that the Meth Panel should, at this stage, not work on the level of standardization but to consider the issue again once project-specific experience has accrued.

**Category of CDM project activity (Appendix C, paragraph (b) (i))**

12. The board agreed that work on categories for CDM project activities could be taken up once CDM project activities are being registered.

**Monitoring (Appendix C, paragraph (b) (iii))**

13. The board agreed that work on the determination of good monitoring practice, appropriate to a category of CDM project activity, could be undertaken once CDM project activity categories have been defined (see previous issue).

**E. Other issues**

14. The board agreed that the Meth Panel should:

(a) Report, as matter of priority, its conclusions on defining the term “starting date of a CDM project activity”;

(b) Define and propose options for the treatment of “brownfield” and “greenfield” project activities. The board noted that the Meth Panel should try to avoid the use of new terms and use instead terms such as “existing” and “newly built” plant;

(c) Report on its conclusions on how to treat temporal leakage, that is, the consideration of net GHG emissions outside the crediting period. The board noted this could be reflected in the calculation of the emission reductions of the CDM project activity.