



Annex 8

GUIDELINES ON COMMON PRACTICE

(Version 02.0)

I. Definitions

1. **Applicable geographical area** should be the entire host country. If the project participants opt to limit the applicable geographical area to a specific geographical area (such as province, region, etc.) within the host country, then they shall provide justification on the essential distinction between the identified specific geographical area and rest of the host country.
2. **Measure**¹ (for emission reduction activities) is a broad class of greenhouse gas emission reduction activities possessing common features. Four types of measures are currently covered in the framework:
 - (a) Fuel and feedstock switch (example: switch from naphtha to natural gas for energy generation, or switch from limestone to gypsum in cement clinker production);
 - (b) Switch of technology with or without change of energy source including energy efficiency improvement as well as use of renewable energies (example: energy efficiency improvements, power generation based on renewable energy);
 - (c) Methane destruction (example: landfill gas flaring);
 - (d) Methane formation avoidance (example: use of biomass that would have been left to decay in a solid waste disposal site resulting in the formation and emission of methane, for energy generation).
3. **Output** is goods/services produced by the project activity including, among other things, heat, steam, electricity, methane, and biogas unless otherwise specified in the applied methodology.
4. **Different technologies** are technologies that deliver the same output and differ by at least one of the following (as appropriate in the context of the measure applied in the proposed clean development mechanism (CDM) project activity and applicable geographical area):
 - (a) Energy source/fuel (example: energy generation by different energy sources such as wind and hydro and different types of fuels such as biomass and natural gas);
 - (b) Feed stock (example: production of fuel ethanol from different feed stocks such as sugar cane and starch, production of cement with varying percentage of alternative fuels or less carbon-intensive fuels);

¹ Identified measures do not cover the industrial gases, transport and afforestation/reforestation projects.



- (c) Size of installation (power capacity)/energy savings:
 - (i) Micro (as defined in paragraph 24 of decision 2/CMP.5 and paragraph 39 of decision 3/CMP.6);
 - (ii) Small (as defined in paragraph 28 of decision 1/CMP.2);
 - (iii) Large.
- (d) Investment climate on the date of the investment decision, inter alia:
 - (i) Access to technology;
 - (ii) Subsidies or other financial flows;
 - (iii) Promotional policies;
 - (iv) Legal regulations;
- (e) Other features, inter alia:
 - (i) Nature of the investment (example: unit cost of capacity or output² is considered different if the costs differ by at least 20 %).

II. Stepwise approach for common practice

5. Step 1: calculate applicable capacity or output range as +/-50% of the total design capacity or output of the proposed project activity.
6. Step 2: identify similar projects (both CDM and non-CDM) which fulfil all of the following conditions:
 - (a) The projects are located in the applicable geographical area;
 - (b) The projects apply the same measure as the proposed project activity;
 - (c) The projects use the same energy source/fuel and feedstock as the proposed project activity, if a technology switch measure is implemented by the proposed project activity;
 - (d) The plants in which the projects are implemented produce goods or services with comparable quality, properties and applications areas (e.g. clinker) as the proposed project plant;

² In general, capacity values should be considered in the common practice assessment. The use of output values should be justified and consistently applied in the assessment.



- (e) The capacity or output of the projects is within the applicable capacity or output range calculated in Step 1;
- (f) The projects started commercial operation before the project design document (CDM-PDD) is published for global stakeholder consultation or before the start date of proposed project activity, whichever is earlier for the proposed project activity.³
7. Step 3: within the projects identified in Step 2, identify those that are neither registered CDM project activities, project activities submitted for registration, nor project activities undergoing validation. Note their number N_{all} .
8. Step 4: within similar projects identified in Step 3, identify those that apply technologies that are different to the technology applied in the proposed project activity. Note their number N_{diff} .
9. Step 5: calculate factor $F=1-N_{diff}/N_{all}$ representing the share of similar projects (penetration rate of the measure/technology) using a measure/technology similar to the measure/technology used in the proposed project activity that deliver the same output or capacity as the proposed project activity.
10. The proposed project activity is a “common practice” within a sector in the applicable geographical area if the factor F is greater than 0.2 and $N_{all}-N_{diff}$ is greater than 3.

History of the document

Version	Date	Nature of revision(s)
02.0	13 September 2012	EB69, Annex 8 Revision to improve the clarity of the definitions, the requirements on the reference time to identify the similar projects, and the conditions to identify similar projects, and to exclude project activities submitted for registration and project activities undergoing validation. Due to the overall modification of the document, no highlights of the changes are provided.
01.0	EB 63, Annex 12 29 September 2011	Initial adoption.
Decision Class: Regulatory Document Type: Guideline Business Function: Methodology		

³ While identifying similar projects, project participants may also use publicly available information, for example from government departments, industry associations, international associations on the market penetration of different technologies, etc.