Project Developer Forum

Innovative Approaches to Additionality

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Gareth Phillips
Chairman

Introduction and contents

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- "Conventional" CDM has 3 types of methodologies, each with a different approach to additionality
- Scale up of CDM projects may be achievable through PoA
- Standardized Baselines provides the opportunity to define new approaches to additionality
- New approaches to additionality combined with different types of methodologies can also achieve scale up

- Two "new" types of additionality to be proposed
- A methodology design decision tree

- Conclusions

Benchmarks

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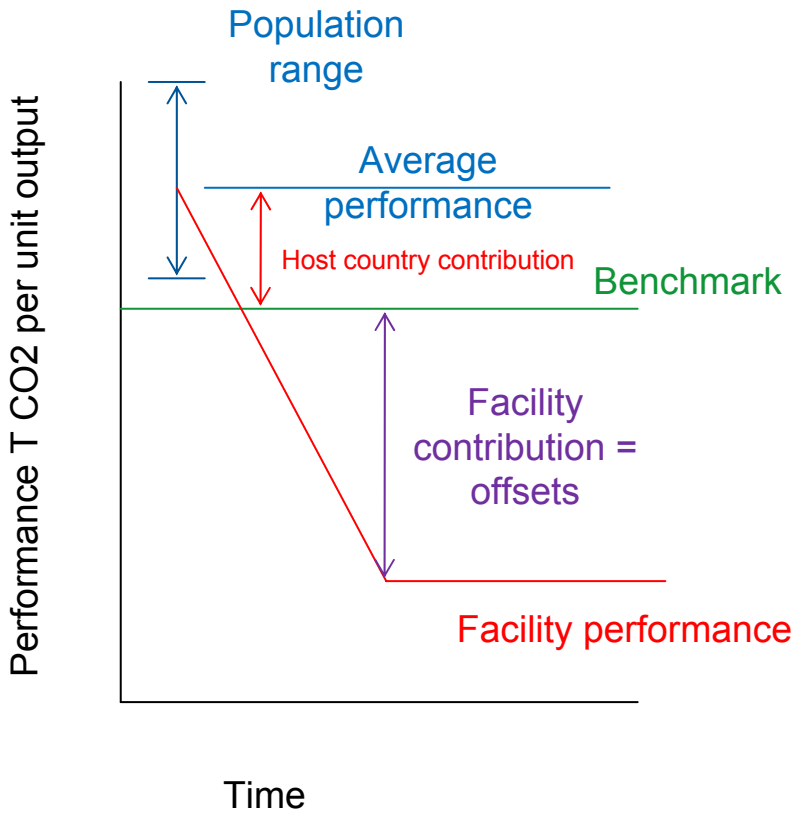

- A benchmark is a performance standard which must exceed the current level of performance for the population in question – existing CDM or ODA demonstration projects may need special treatment
- Works well with homogenous populations; heterogeneous populations will need stratification
  - Either way, you need good institutional infrastructure
- Measure performance amongst a sample of the population and set a benchmark with lower emissions
- Benchmark can be achieved via better management, retrofit, new equipment… whatever.
- Only measure total emissions and total production

Benchmarks – environmental integrity

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- Because the benchmark reflects better than current performance amongst peers, reaching the benchmark means you are exceeding your peers' performance; beating it means you are acting additionally and creating offsets
- The uplift between current performance and the benchmark generates offsets for domestic contribution
- Performance beyond the BM creates international offsets
- No credits for early movers – they need a different baseline, or they need to be compensated in some way
- Baseline is static or dynamic, but this is defined ex ante
- Limit the crediting period to 10 years and redefine a new baseline thereafter

Accelerated market / technology penetration

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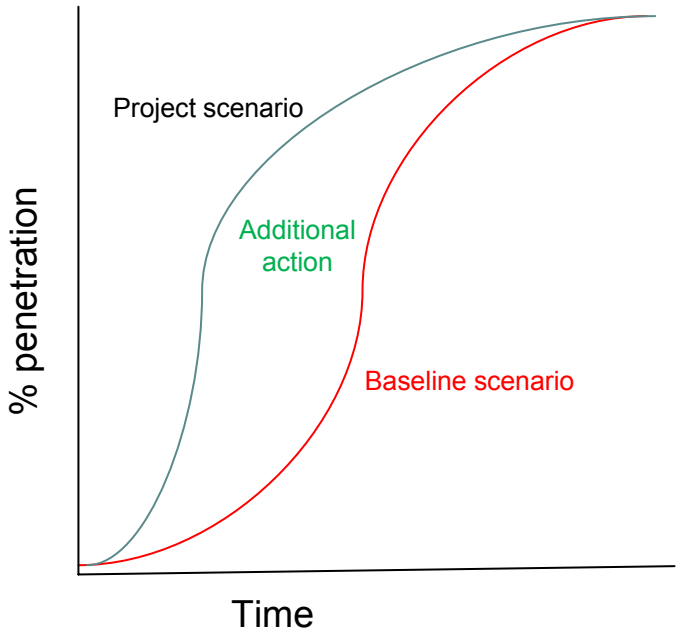

- Establish baseline for technology penetration
- Project should “shift the curve to the left”
- Credits awarded for the difference in penetration * e.g. deemed saving per unit
- Examples: hydro power; potable water; CFL; EE retrofit; new technology

Accelerated market / technology penetration - Environmental integrity

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- Self regulating– once baseline scenario penetration curve and the project scenario penetration curve meet, the project is finished. Or the crediting period can be stopped at 10 yrs or X% penetration if necessary
- Emphasis is placed on the determination of the baseline penetration curve
  - In the commercial sector, third parties / consultants sell these projections and industries base their production and marketing activities on them (same as use of design institutes and consultants to establish conventional baseline)
  - In the non-commercial sector, governments , IGOs, NGOs may have policies and programs for roll out
- The approach rewards action sooner rather than later, increasing the social / crisis time benefit of the project
- CERs per unit of activity are then determined using for example a deemed savings approach

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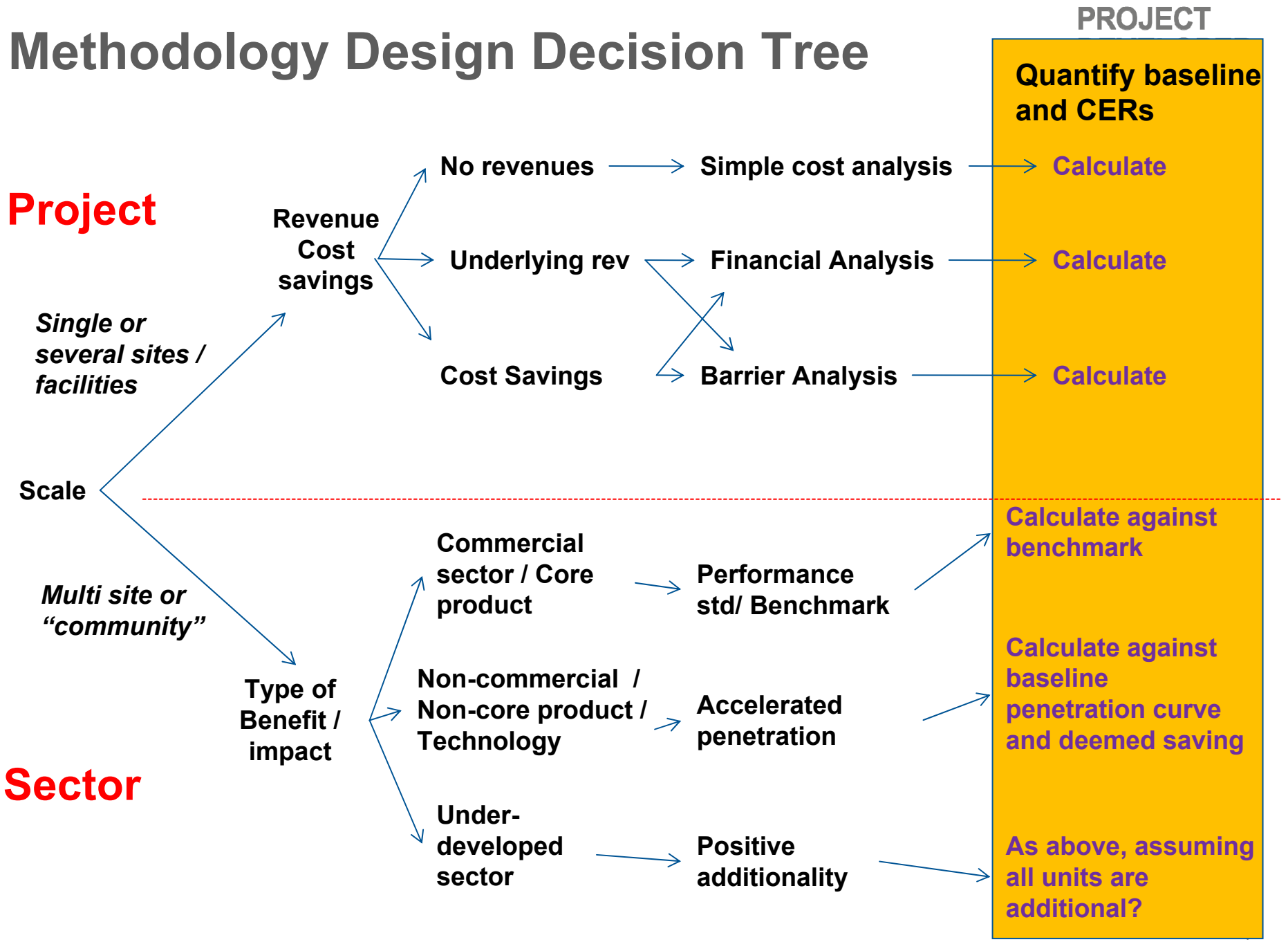
Methodology Design Decision Tree



Conclusions

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- New approaches to additionality
- Combined with standardized baselines
- Can define new types of CDM methodologies
- Which will deliver scale up
- May also address the desire to move into sectoral initiatives without setting targets

Sources of information on market penetration

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Sector	Source	Link
Private sector market researchers/consultants/forecasters		
Various industries	Frost and Sullivan	http://www.frost.com/prod/servlet/research.pag
Country and several industries	Global Insight Economic Intelligence Unit JD Power Business Monitor Oxford Economics	http://www.ihs.com/products/global-insight/index.aspx http://www.eiu.com/public/ http://www.jdpower.com/autos http://www.businessmonitor.com/ http://www.oxfordeconomics.com/
ICT	The Partnership on Measuring ICT for Development (launched in 2004)	http://www.itu.int/ITU-D/ict/statistics/ict/index.html
Automotive	Sloan Automotive Laboratory Laboratory for Energy and the Environment MIT	http://web.mit.edu/sloan-auto-lab/research/beforeh2/files/kromer_electric_powertrains.pdf
Local institutions with local penetration data		
India	e.g. TERI Energy Data Directory and Yearbook at	http://www.teriin.org/index.php
International institutions		
Africa	African Development Bank	www.afdb.org
Asia	Asian Development Bank	www.adb.org
Agriculture	Food and Agricultural Organizations	www.fao.org
International Oganisations / Trade Associations		
Cement	WBCSD Cement Sustainability Initiative	www..wbcsd.org
Universities		
Biomass stoves in China	Work between Beijing University and University of Berkeley	http://www.pciaonline.org/beijing-university-chemical-technology-buct