Project Developer Forum

Standardized Baselines from a project Developers Point of View

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What is a standardized baseline

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- 44. *Defines a "standardized baseline" as a baseline established* ***for a Party or a group of*** **Parties** to facilitate **the calculation of emission reduction and removals** and/or **the determination of additionality** for clean development mechanism project activities, while providing assistance for assuring **environmental integrity**;

- Baseline is to be established for a party…So there is already a significant difference in the SCALE and AMBITION of standardized baselines
- Standardized baselines are NOT small scale meths or normal meths with "standardized" inserted in the text
- Helps calculate emissions and removals – so it helps to define the baseline and project emissions / removals
- And can also help define additionality – opening the door to some new approaches to additionality
- And helps to ensure environmental integrity – which must be at the heart of any emission reduction or removal activity

Also want scale up

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- To get scale up we also need certainty

- The international community expects to access private money
- Think Pension Funds (your pension)
- Would you invest your pension in CDM today?

- Project developers and investors need certainty

My view of a standardized baseline

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- A generic methodology
- Explaining how to describe (qualify) the baseline; and
- Either quantifying the baseline directly or providing steps as to how to quantify the baseline
- Encompassing, if appropriate, a different approach to additionality compared to the conventional approach we see in the CDM

- **Accompanied by Annexes submitted by Parties which apply the methodology to qualify and / or quantify the baseline and define additionality for a *Party of a group of Parties*.**

An individual (Energy efficiency) device / technology

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- Individual device or technology which has not reached its full potential in a given country / region – eg a CFL, EE fridge, absorption chiller
- Establish a baseline curve for projected technology / market penetration
  - This is seen as the main problem – but conceptually at least, its no different from existing procedures
- PPs work to accelerate the deployment of the technology, in a project specific and appropriate manner (which may involve ensuring technology continues to work)
- Project specific monitoring procedures are required ranging from deemed savings for small devices with wide distribution to facility specific monitoring for large installations (eg absorption chillers / district cooling)
- CERs are calculated on the basis of number of additional units deployed * deemed saving

Accelerated market / technology penetration methodology

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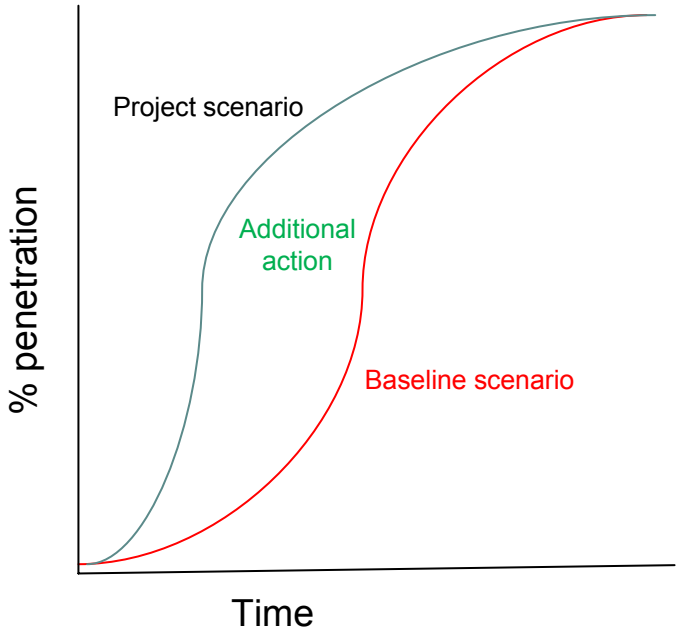

Generic meth:

- Explain how to go about defining the baseline scenario
- Define principles for monitoring and if relevant reference existing deemed savings

Country specific annex

- Quantify baseline penetration curve
- Define how accelerated penetration is to be measured (e.g. import and export data)
- Quantify deemed savings / specify monitoring meth

Positive Lists

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- Positive List technologies are those which have little or zero market or technology penetration in a given country.
- It would be easy to quickly establish an initial list of positive technologies on this basis, which can be added to, over time

Benchmarks

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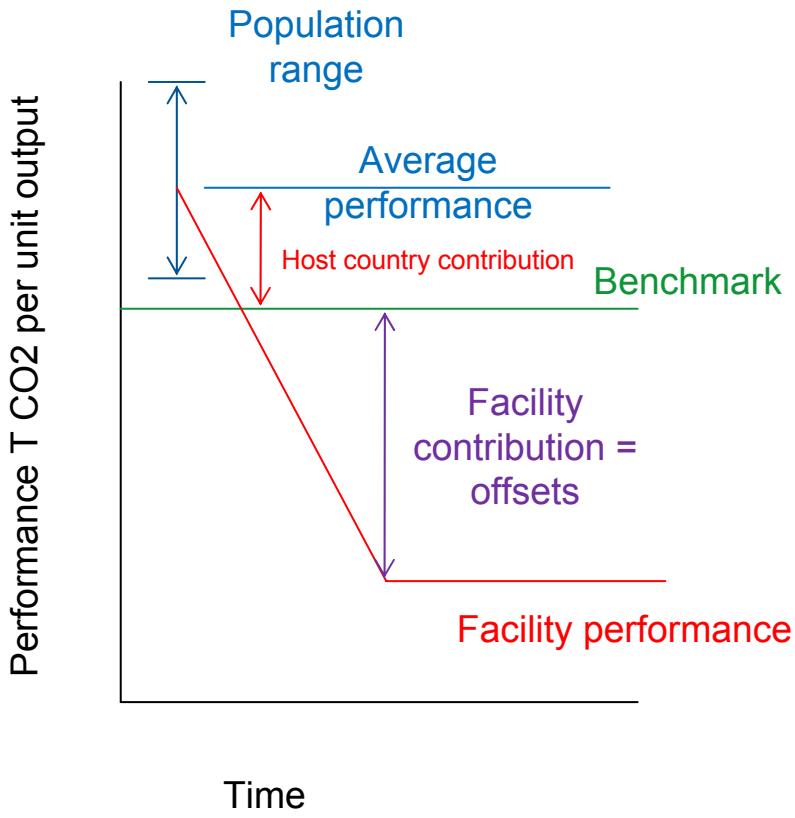

- A benchmark is a performance standard which must exceed the current level of performance for the population in question – existing CDM or ODA demonstration projects may need special treatment
- Works well with homogenous populations; heterogeneous populations will need stratification
  - Either way, 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

Benchmark methodology

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Generic methodology

- Describe how to create benchmark – actual performance, performance standard, regulation, policy goal
- Determine lifespan and static / dynamic
- Define monitoring requirements (refer to EU ETS style monitoring guidelines)

Host country Annex

- Host country prepares technology / sector specific benchmark and submits to CDM EB for validation prior to use.

Benchmarking applied to the Coal Mining Sector

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- Could perhaps also apply to LFG methane, avoided gas flaring and biogas?
- Four steps:
- 1) Survey of the current percentage of total methane drained and vented from mines in country / province
- 2) Reduce this figure to a “crediting baseline” such that is higher than (almost) all mines. Could use a lower 95% CI
  - This creates a “buffer” between the actual level of abatement and the level at which credits start to be earned, ensuring environmental integrity
  - The difference between actual abatement and the crediting baseline constitutes the host country’s “own action”, perhaps for domestic offset sector
- 3) Decide whether the crediting baseline is static or dynamic
- 4) Approve the standardized baseline and submit to the CDM EB

CERs under a standardized baseline

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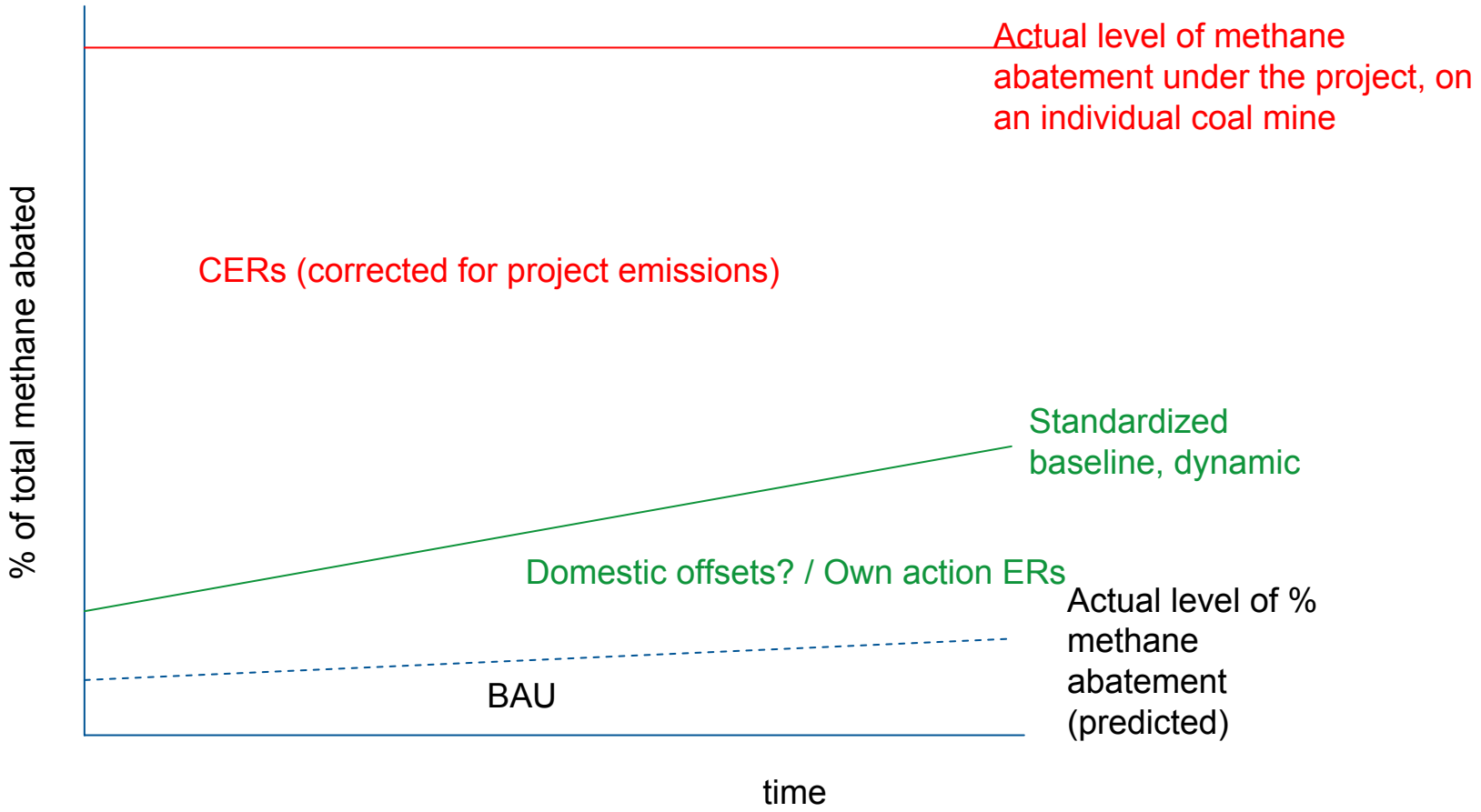

Applying the baseline to existing mines

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- If a mine is already utilizing more than the crediting baseline, the mine's annual average abatement shall be used as the crediting baseline
- This shall be calculated as the higher of:
- Actual Annual methane abatement / annual average total emissions
- or
- Practical destruction capacity / annual average total emissions

Implementing the project (1)

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- Under the project activity, the PP implements as many methane utilization and abatement technologies as possible
- Eg Max destruction with optimum utilisation (genset plus flare) and thermal oxidation of VAM
- The project displaces BaU emissions first
- Then project generates “own effort offsets”
- Then the project generates CERs

- How to ensure utilisation and not just flaring? Could be a host country (unwritten) guideline that requires projects to include utilisation?

Example – Water purification standardized baseline methodology

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- The baseline is described as the projected and realistically achievable actions by host country and donor agencies over the next [10] years to supply and promote the safe utilization of water purification devices.
  - The methodology may be able to provide guidance as to how the baseline can be determined
  - For example by assessing host country budgets and resources and the planned operations of donor agencies which are active in the country.
- Methodology may cite international studies and standards which are used to help verify the baseline and define “clean water” etc.
- Additional activities are those which are not part of the baseline and which accelerate the penetration of the technology
- The methodology quantifies the baseline as a deemed saving (or default saving) per person, based on average annual water consumption per person, % non-renewable biomass, stove efficiency, NCV of biomass etc

Water purification - project

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- The Host Party prepares defines the planned activities and quantifies the deemed savings and submits this to the EB as an Annex to the standardized baseline.
- The baseline is subject to verification before it is approved for use.
- Project Participants (PPs) can then use carbon finance to supplement additional activities to distribute water purification technologies
- PPs must ensure continued use of equipment / technology via on-going maintenance / replacement and educational actions.
- CERs are awarded for the percentage of units which are operational for activities which have resulted in the acceleration of the technology penetration.
- Host Party's targets are fulfilled before any credits are issued

Standardized Baseline Water Purification Project

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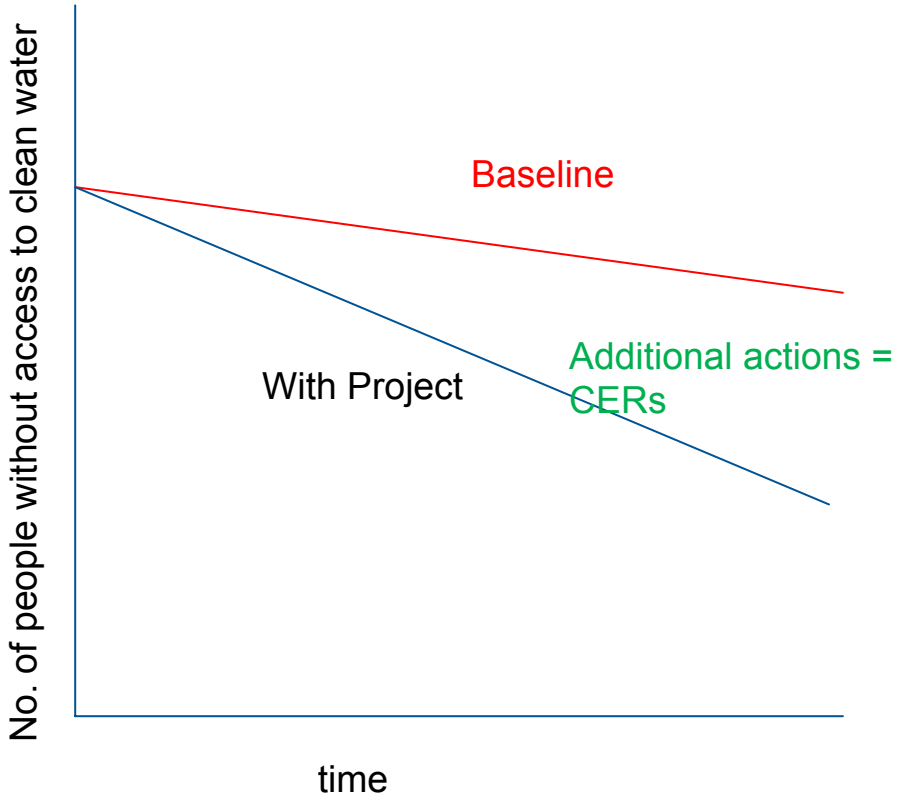

Summary

- Baseline is set for a Party, with the Party's agreement
- Project is implemented in conjunction with the Party's own policies
- Emission reductions are additional and real, calculated using a deemed savings approach
- Additionality is achieved through accelerated technology penetration
- Project can also be used to ensure host party targets are fulfilled before credits are awarded