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**Re: Response to call for public comments on the draft revision to “Guidelines for completing the project design document (CDM-PDD), and the proposed new baseline and monitoring methodologies (CDM-NM)”**

Dear Mr. Sethi,

In response to the above-mentioned call for public comments, launched by the EB at its 38<sup>th</sup> meeting (EB38), we would like to bring to your attention the following comments and considerations.

We are pleased to note that several aspects of the draft revised Guidelines contribute in increasing the level of clarity of the guidance, avoiding ambiguities during PDD development, project implementation and monitoring of emission reductions. In particular, we warmly welcome the inclusion of the following points:

- Improved guidance regarding the information to be included in **Section A.2**;
- Inclusion of the flow diagram as a requirement to be provided in **Section B.3**;
- Inclusion in **Section C.2.2.1** of the statement according to which the Secretariat will update the starting date of the crediting period as the date of registration, if the listed date is prior to the date of registration; and
- Explicit mention in **Section C.1.1** that if the project’s start date is earlier than the date of publication of the CDM-PDD for global stakeholder consultation by a DOE, Section B.5 should contain a description of how the benefits of the CDM were seriously considered prior to the start date.

Nevertheless, we have some suggestions of improvement on other points of the new guidelines, which we detail below.

### **1. Level of detail required in the technology description**

The information requirements in **Section A.4.3** are now clearer and we welcome most of the suggested changes. However, we are concerned that the level of detail requested may not always be available for all projects.

For many CDM projects, PDD development takes place at an early stage of project development. Considering the additionality requirements, and the length of time required to pass through the CDM cycle, starting the PDD at an early stage is very important. However, at this stage, often the detailed design of the project, both of the main equipment and of the monitoring technology to be deployed, may not have been fully finalized. It may not be possible to describe, for example, the type of meter to be installed, who the manufacturer is, what the accuracy is etc, since the meter concerned may not yet have been selected.

We recognise the importance of specifying in the PDD the approximate value of the key parameters of the project design, as this allows to uniquely identify the project and to specify in which conditions the project was demonstrated to be additional. However, it is equally important to recognise that the design of a project can change throughout the pre-construction phase, during the construction phase, and even after the operation of the project has begun, due to problems encountered on the ground, changes in the regulatory framework, changes in equipment produced by manufacturers, etc.

This is especially true for monitoring equipment, which is normally installed only upon the completion of the project, whereas the PDD is usually written much earlier. It thus doesn't seem necessary or appropriate to ask for further details on the monitoring equipment in **Section A.4.3**, especially as:

- The characteristics of monitoring equipment will generally not affect the baseline and additionality section, but is only relevant to the monitoring part of the project – which is already addressed in sections B.6 and B.7 of the PDD.
- The monitoring technology will be fully checked by the verifying DoE, and the monitoring plan will have to be entirely in compliance with the methodology and associated EB guidance.

→ We suggest that the guidance offered for **Section A.4.3** should be limited to the text included in Annex I to this letter.

## 2. Equipment life span in technology description

Information about equipment life span should preferably be based on manufacturer's specifications as, if proper maintenance is conducted, this is the most realistic lifetime. If this data cannot be obtained, the country average lifespan should be utilised. It is often very difficult to find information about the average lifespan of equipment within a country as average equipment lifespans are not well documented and depend on a wide variety of project specific factors, with a particularly focus on maintenance of the equipment. If equipment in a country was historically not well maintained, the average lifetime may not accurately reflect reality and, so, the manufacturer specifications are preferable.

→ We suggest that the guidance offered for **Section A.4.3** should be changed to information about the age and average life span of the equipments, based on, *preferably*, manufacturer's specifications *or* country standards;

### 3. Selection of the baseline scenario and demonstration of additionality

With many methodologies there is an **ambiguity between what should go in Section B.4 and B.5**, which can cause the following issues in PDDs: confusion, duplication of text, inconsistent numbering of the steps of the tools, etc. This is especially true when the Combined baseline and additionality tool is used - because the tool includes both the baseline identification (Section B.4) and demonstration of additionality (Section B.5) - but also when using the simple Additionality Tool as both sections are intrinsically linked.

This is an issue not only for PDD writers, but also for methodology proponents, who do not always know which steps should form part of the baseline description and identification and which ones should be used in the assessment and demonstration of additionality. This results in duplication of text and inconsistent numbering of steps in the methodologies (e.g. AM0058) and even some consolidated methodologies have additionality sections which do not add much compared to the baseline section (e.g. ACM0012), or which refer to both the simple and combined additionality tools (e.g. ACM0001).

→ With the view of overcoming the ambiguities and inconsistencies described above, stemming from the presence in the PDD template of two separate sections for baseline identification and demonstration of additionality, we suggest including the guidance about the identification of alternatives to the project activity which is included in the *Tool for the demonstration and assessment of additionality* in **Section B.4**. Furthermore, it should be noted in **Section B.5** that, if the additionality tool is used, Step 1 can simply refer to **Section B.4**. Please, see the text suggested in Annex II.

### 4. Additional comments on the draft revised Guidelines for completing the PDD:

- **Section B.4:** we would like clarification on whether it is necessary to “*Illustrate in a transparent manner all data used to determine the baseline scenario (variables, parameters, data sources etc.), preferably in a table form*” if such information is already included elsewhere in the PDD (i.e. in Section B.6.2).
- **Section B.6.3:** With regard to the need to provide electronic files such as spreadsheets, Section B.6.3 appears to be inconsistent with the latest version of the Additionality Tool. To this end, paragraph 6 (Version 4) of the Tool reads:

“6. Present the investment analysis in a transparent manner and provide all the relevant assumptions, preferably in the CDM-PDD, or in separate annexes to the CDM-PDD, so that a reader can reproduce the analysis and obtain the same results”.

The current wording of Section B.6.3 of the PDD guidelines (“*Where relevant, provide additional background information and or data in Annex 3, including relevant electronic files (i.e. spreadsheets)*”) does not reflect this as it asks for electronic files which can have important intellectual property value and are not needed to be able to reproduce the analysis.

- Therefore, we suggest that the guidance offered for Section B.6.3 should be limited to the text included in Annex III to this letter.
- It would be useful for project developers to have more guidance (formal or informal) on the different information that has to go into **Section B.6.1** (Explanation of methodological choices) vis-à-vis **Section B.6.3** (Ex-ante calculation of emission reductions).

We strongly believe that it would be very useful for project developers to have the above aspects fully considered. In this regard, we hope that the new Guidelines will be able to wholly address them. Thank you for your consideration.

Yours Sincerely,



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## ANNEX I

### Proposed text for Section A.4.3 of the draft revision to “Guidelines for completing the project design document (CDM-PDD), and the proposed new baseline and monitoring methodologies (CDM-NM)”

#### A.4.3. Technology to be employed by the project activity:

This Section should include a description of how environmentally safe and sound technology, and know-how to be used, is transferred to the host Party(ies).

It should also further explain the purpose of the project activity, as described in Section “A.2.Description of the project activity”, taking the information provided in that Section as a basis and including a detailed description of:

- The situation existing prior to the start of the implementation of the project activity, with a list of the equipment(s) and systems in operation at that time;
- The scope of activities/measures that are being implemented within the project activity, with a list of the equipment(s) and systems that will be installed and/or modified within the project activity;
- The baseline scenario, as identified in Section “B.4 Description of how the baseline scenario is identified and description of the identified baseline scenario”, with an indicative list of the equipment(s) and systems that would have been in place in the absence of the project activity.

The description of the scenarios should include, *inter alia*:

- A list and the arrangement of the main manufacturing/production technologies, systems and equipments involved in the project. Include in the description, **if available**: information about the age and average life span of the equipments, based on manufacturer’s specifications and country standards; and existing and **forecast estimated future** installed capacities, load factors and efficiencies. **The monitoring equipments and their location in the systems is of particular interest**;
- **The ~~emissions sources and the greenhouse gases involved in the project activity, according to the methodology used;~~ and<sup>1</sup> existing and forecast energy and mass flows and balances of the systems and equipments included in the project activity;**
- The types and levels of services (normally in terms of mass or energy flows) provided by the systems and equipments that are being modified and/or installed under the project activity and their relation, if any, to other manufacturing/production equipments and systems outside the project boundary. The types and levels of services provided by those manufacturing/production systems and equipments outside the project boundary may also constitute important parameters of the description. The description should clearly explain how the same types and levels of services provided by the project activity would have been provided in the baseline scenario;

<sup>1</sup> We suggest to omit this sentence as it would be a duplicate of section B.3 (Project boundary)

Finally, avoid adding information, which is not essential to understanding the purpose of the project activity and how it reduces greenhouse gases emissions. Information related to equipments, systems and activities that are auxiliary to the main scope of the project activity and do not interfere directly or indirectly with emissions of greenhouse gases and/or with mass and energy balances in the project activity should not be included.

## ANNEX II

**Proposed text for Section B.4 and B.5 of the draft revision to “Guidelines for completing the project design document (CDM-PDD), and the proposed new baseline and monitoring methodologies (CDM-NM)”**

### **B.4 Description of how the baseline scenario is identified and description of the identified baseline scenario:**

Please explain how the most plausible baseline scenario is identified. Where the procedure involves several steps, describe how each step is applied and transparently document the outcome of each step. Explain and justify key assumptions and rationales. Provide relevant documentation or references. Illustrate in a transparent manner all data used to determine the baseline scenario (variables, parameters, data sources etc.), preferably in a table form.

~~Provide a transparent and detailed description of the identified baseline scenario, including a description of the technology that would be employed and/or the activities that would take place in the absence of the proposed project activity.~~

#### ***Step 1. Define alternatives to the project activity:***

1. Identify realistic and credible alternative(s) available to the project participants or similar project developers that provide outputs or services comparable with the proposed CDM project activity.

These alternatives are to include:

- The proposed project activity undertaken without being registered as a CDM project activity;
- Other realistic and credible alternative scenario(s) to the proposed CDM project activity scenario that deliver outputs and on services (e.g. electricity, heat or cement) with comparable quality, properties and application areas, taking into account, where relevant, examples of scenarios identified in the underlying methodology;
- If applicable, continuation of the current situation (no project activity or other alternatives undertaken).

If the proposed CDM project activity includes several different facilities, technologies, outputs or services, alternative scenarios for each of them should be identified separately. Realistic combinations of these should be considered as possible alternative scenarios to the proposed project activity.

**→ Outcome of Step 1: Identified realistic and credible alternative scenario(s) to the project activity.**

#### ***Step 2. Consistency with mandatory laws and regulations:***

The alternative(s) shall be in compliance with all mandatory applicable legal and regulatory requirements, even if these laws and regulations have objectives other than GHG reductions, e.g. to mitigate local air pollution. (This sub-step does not consider national and local policies that do not have legally-binding status).

If an alternative does not comply with all mandatory applicable legislation and regulations, then show that, based on an examination of current practice in the country or region in which the law or regulation applies, those applicable legal or regulatory requirements are systematically not enforced and that noncompliance with those requirements is widespread in the country. If this cannot be shown, then eliminate the alternative from further consideration;

→ **Outcome of Step 2:** Identified realistic and credible alternative scenario(s) to the project activity that are in compliance with mandatory legislation and regulations taking into account the enforcement in the region or country and EB decisions on national and/or sectoral policies and regulations.

**B.5. Description of how the anthropogenic emissions of GHG by sources are reduced below those that would have occurred in the absence of the registered CDM project activity (assessment and demonstration of additionality):**

Explanation of how and why this project activity is additional and therefore not the baseline scenario in accordance with the selected baseline methodology. Where the procedure involves several steps, describe how each step is applied and transparently document the outcome of each step.

If the *Tool for the demonstration and assessment of additionality* is used, Step 1 can refer to Section B.4 and provide a summary of the identified realistic and credible alternatives.

Where the barriers are involved in demonstrating additionality, only select the (most) relevant barriers. Explain and justify key assumptions and rationales. Provide relevant documentation or references. Illustrate in a transparent manner all data used to assess the additionality of the project activity (variables, parameters, data sources etc.), preferably in a table form.

If the starting date of the project activity is before the date of validation, provide evidence that the incentive from the CDM was seriously considered in the decision to proceed with the project activity. This evidence shall be based on (preferably official, legal and/or other corporate) documentation that was available at, or prior to, the start of the project activity.



## ANNEX III

**Proposed text for Section B.6.3 of the draft revision to “Guidelines for completing the project design document (CDM-PDD), and the proposed new baseline and monitoring methodologies (CDM-NM)”**

### **B.6.3. Ex ante calculation of emission reductions**

Provide a transparent ex ante calculation of project emissions, baseline emissions (or, where applicable, direct calculation of emission reductions) and leakage emissions expected during the crediting period, applying all relevant equations provided in the approved methodology. Use estimations for parameters that are not available when validation is undertaken or that are monitored during the crediting period.

Document how each equation is applied, in a manner that enables the reader to reproduce the calculation. Where relevant, provide additional background information and or data in Annex 3, including relevant electronic files (i.e. spreadsheets).