

12 January 2011

The Chairman and the Members of the CDM Executive Board
c/o UNFCCC Secretariat
P. O. Box 260124
D-53153 Bonn, Germany

RE: Call for public inputs on the draft "Tool for baseline scenario identification and baseline emission calculations"

Dear Sir/Madam;

We welcome the efforts made by the Executive Board to address the issues regarding baseline scenario identification and baseline emission calculations through the preparation of three new tools. We are fully aware that these tools should simplify and streamline the work of project participants so as to promote the further development of CDM project activities, especially in under-represented countries. Keeping in mind that the nature of use of the drafted tools must be project-specific, the following response has been prepared.

General comments

1. The structure of the tools is complicated and the necessary steps to be taken by project participants (PPs) are difficult to follow. We highly recommend the restructuring of these current tools to emphasize simplicity and user-accessibility and for the adoption of one consistent methodology procedure instead of three different tools. For example, the draft tool for baseline identification and for baseline emission calculation can be easily combined and all sub-steps and relevant information for Methodological Approach for Baseline Settings (MABSs) can be re-structured as appendices.

Further comments for each draft tool

(a) *Draft tool for baseline identification*

2. Definition: Increase of consumption due to the proposed project activity: The draft tool defines four different situations, but does not provide any guidance on how to address this issue under the proposed methodology procedure in case the increase of consumption is identified. It also does not specify the necessary requirements that DOEs must validate. As the methodology procedure is being developed based on five different MABSs, the draft tool should be structured to be consistent with only those five MABSs and avoid any discrepancy.

(b) *Draft tool for baseline emissions calculations*

3. Definition: The tool does not provide a definition on baseline emissions to be addressed in line with existing modalities and procedures including the latest Glossary of CDM Terms. For example, the tool specifies its applicability only for (i) historical or actual emissions or (ii) benchmark emissions, yet benchmark emissions have not been properly defined under the proposed tools or the Glossary of CDM Termsⁱ.
4. II. Methodology Procedure: The tool does not provide clear guidance on how to select either (i) the method for historical and actual emissions or (ii) benchmark emissions. Assuming that MABS 5 is also included for baseline emissions for historical and actual emissions, applicability for each type of component has to be

12 January 2011

clearly mentioned so that project participants can easily determine which method is the most appropriate for proposed CDM project activities.

(c) *Draft tool for the determination of the most attractive alternative for a CDM project component*

5. Identification of alternatives: According to the step provided by the tool, PP has to address alternative scenarios that are available to them. However, the step does not fully consider different circumstances by project types or host countries nor provide any suitable indicators. Ten facilities that provide outputs or services with comparable outputs in the relevant geographical area may not be practical for all project types or countries, as it may easily require expansion of the geographical area to outside of the host country for projects in countries with smaller economic activity (e.g. LDCs). More flexible indicators or exemption for projects in countries with less than 10 registered projects may be considered.
6. Paragraph 7: Identifying relevant alternatives may include some new other technologies or practices of which CDM project component are currently underway in the relevant geographical area. However, since new technologies or practices are not always the first option for PPs even though it is under way for other CDM projects, this should be limited to only common practices. For example, if those alternatives are underway, the tool may limit those which have been already received some issuance of CERs at the time of investment decision.
7. Barrier and investment analysis: As previously mentioned, alternative scenarios can be limited to the technology or practice that have been implemented and operationalized for at least three years in the geographical area. It is not feasible to cover those technologies and practices that are emerging and in the early application stage in the consideration of the analysis.

We would greatly appreciate it if the CDM Executive Board could consider the above mentioned inputs.

Sincerely yours,

Jiwan Acharya

Climate Change Specialist (Energy)

Technical Support Facility – Carbon Market Program

Regional and Sustainable Development Department

Asian Development Bank

Tel (632) 632-6207, Fax (632) 636 2198

jacharya@adb.org

www.adb.org

ⁱ According to the Glossary of CDM Terms (version 05), there baseline approach are addressed as the basis for a baseline methodology. Those include; 1) existing actual or historical emissions, as applicable; 2) emissions from a technology that represents an economically attractive course of action, taking into account barriers to investment; and 3) the average emissions of similar project activities undertaken in the previous five years, in similar social, economic, environmental and technological circumstances.