

Subject: IETA Response to the Call for Input on the draft guidelines for data quality in the establishment of standardized baselines

January 27, 2012

CDM Executive Board
UNFCCC Secretariat
Martin Luther King Strasse 8
P.O. Box 260124
D-53153
Germany

Dear Mr. Hession,

I write to you on behalf of the International Emissions Trading Association (IETA) in response to the call for input issued at EB 65 on the draft guidelines for data quality in the establishment of standardized baselines.

IETA would like to submit the following comments on the draft guidelines as a whole. These comments will highlight experiences the private sector has had in estimating standardized grid emissions factors as well as establishing multi-project baseline procedures for quantifying GHG emissions reductions from power generation projects.

On the Tool to calculate the emission factor for an electricity system (Version 02)

Since the release of the early versions of this tool, the biggest concerns have centered around the load profiles of different technologies (e.g. base load hydro power plants, intermittent loads with wind parks, or load following open cycle gas turbine based projects), and thus different impacts on the grid in terms of displaced emissions. As a result, different and divergent grid emission factors have been estimated, and the amounts of claimed emission reductions have been so different that they have caused problems in the validation process by the corresponding Designated Operational Entities (DOEs).

IETA – Making markets work for the environment

24, Rue Merle d'Aubigné
Geneva, 1207, Switzerland
Tel: +41 (22) 737 0500

Boite 27, Rue de la Loi 235
Brussels, 1040, Belgium
Tel: +32 (0)22 30 11 60
Reg. 0889.072.702

1730 Rhode Island Ave., NW,
Suite 802, Washington, DC
20036 USA
Tel: +1 (202) 629-5980

100 King Street West, Suite
5700, Toronto, Ontario
M5X 1C7, Canada
Tel. +1 (416) 913 0135



IETA welcomes the Board's initiative to continue to improve this Tool by developing a streamlined and transparent system for data quality and collection in the establishment of standardized baselines. This is an issue of heightened importance as the standardization of baselines has aided in the success of particular methodologies to scale-up (ACM0002 and AMS-1.D.) and be deployed across the power generation sector.

On standardized grid emissions factors:

In order to facilitate the adoption of authentic baseline emissions data, and also to ensure uniformity in the calculations of CO₂ emission reductions by CDM project developers, many Designated National Authorities (DNAs) have been requested by their governments to compile a database containing the necessary data on grid CO₂ emissions factors and to make such data publically available. Currently, around 11 CDM host countries are publishing data on their grid CO₂ emissions factors on a yearly basis: China, India, Brazil, Argentina, Cambodia, Indonesia, Malaysia, Thailand, Vietnam, Mongolia, and Singapore.

Such data is crucial for a more effective CDM in all non-Annex I countries, and for effectively managing emission reductions paths worldwide. In view of the lack of such data, the potential of power generation technologies and projects in terms of CO₂ emission reduction potential and associated costs of CO₂ avoidance is assessed according to different baseline setting approaches.

An example of multi-project baseline procedures for quantifying GHG emissions reductions from power generation projects:

IETA strongly supports the implementation of an effective management of CO₂ emission reductions paths in the power sector to achieve the 2°C reduction target. We would strongly welcome a higher involvement of governmental bodies of all countries for estimating and validating baseline emissions of their respective national and regional electricity grids based on a standard, multi-project baseline procedure. We believe that baseline setting would also support the establishment of emissions monitoring registries and inventories as key pre-requisites for setting national emission reductions targets and for enhancing transparency while assessing the potential and the economic viability of emissions reductions projects across countries, technologies and fuel types.

We would also welcome the establishment of a global grid CO₂ emission factor database managed by the UNFCCC or another UN body based on yearly submissions



of official data by governmental bodies of all countries (provided by electricity authorities, economic and environmental departments/ministries, etc.). In the absence of such a global database, the private sector is already working on the development of a first-of-its-kind database for grid emissions factors from 2002 on a yearly basis at the national electricity system level by country (covering 184 countries). Such companies are willing to share their database and their experiences with the CDM Executive Board and other UN appointed agencies if requested.

On baseline estimation processes and their results

IETA proposes that the full baseline estimation process as well as its subsequent results ought to be validated by third parties (DOEs) before being submitted for final approval by the CDM Executive Board. In the current draft guidelines, only review procedures on the quality of data are proposed.

In order to quantify emissions and emission reductions from the operation of power plants in various countries, a higher transparency and availability of data to be provided by DNAs on emissions and generated electricity at the facility-level would result in a more efficient and accurate quantification approach. Currently, baseline estimation documents provided by DNAs offer different levels of details and are published with very different templates and forms. Further to this point, a standardization of baseline estimation documents could be very useful for project participants.

Furthermore, we see a need to push for gathering and publishing data also on costs of technologies in various countries (e.g. updated electricity generation costs for different plant types). Such data are crucial for increasing transparency during the financial additionality test (at a project level) in the CDM process, and would also be very useful for O&M providers in estimating costs of CO₂ avoidance in different markets and regions. Particularly for least developed countries, where the CDM is currently struggling to attract investors, future capacity building programs shall also include efforts on building emissions inventories and developing processes for yearly updated standardized baseline emissions factors.

Standardised baselines would be a valuable tool to facilitate access to carbon finance also by other project types where data collection represents a barrier for individual project developers. For example, CDM projects in the cement industry, transport sector, and energy efficiency measures in buildings would benefit from the development of national standardised baselines. Such standardised baselines



would facilitate the CDM feasibility and encourage the replication and scale-up of potential project types which are currently under-represented in the CDM pipeline due to data barriers.

IETA greatly appreciates the opportunity to provide our input on this issue. Please do not hesitate to contact IETA's Director for International Policy, Jeff Swartz at swartz@ieta.org should you have any questions regarding this letter.

Henry Derwent

President and CEO, IETA