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Public Comment on

Annex 11 Concept note: Package on further development of a standardized baseline framework

3.2.2 Findings of comparative analysis of the standardized baseline process under the CDM with processes of various standard-setting bodies

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It is indeed important to draw lessons from CARB, CAR, VCS, ACR, JCM, EU-ETS and ANSI experiences and achievements / failures, in order to derive a process-oriented approach for SB development in CDM. Section 3.2 of this Annex 11 contains a first step for such an analysis, by compiling the formal differences among VCS, CARB, JCM, CAR, EU-ETS and ANSI. Further steps of a comparative analysis are needed in order to succeed. More needs to be understood about these standard-setting bodies so that relevant lessons for SB development work appear.

I would like to draw attention to one outstanding example for such a comparative analysis from the Electric Power Research Institute in the US:

EPRI (2013), Developing GHG Emissions Offsets by Reducing Nitrous Oxide (N₂O) Emissions in Agricultural Crop Production: *Experience Validating a New GHG Offset Protocol*, Technical Update Report.

In this report, CAR, VCS and ACR development procedures are thoroughly compared for one particularly demanding methodology. Key insights for agricultural methodologies revealed are: unexpected interventions, uneven valuation of conservativeness, unclear communications, uneven reviewer qualifications, inconsistencies during the validation process, high costs and legal concerns. This study then defines necessary steps for EPRI to create a methodology that overcomes the deficits of the CAR, VCS and ACR results. Overall, it shows that the process of dividing tasks among experts and organising stakeholder consultations cannot be separated from data problems of the physical variables to standardize. ACR, VCS and CAR had to compromise and each of the three development procedures brought out particular improvements for the methodology.

My own experience from participating in CAR, ACR, VCS and JCM consultations is from Ozone-depleting Substances (ODS) methodologies development. I have provided public comments, participated in on-line events and corresponded with individual methodology developers for the CAR US ODS protocol, CAR Art.5 ODS protocol, CAR Mexico ODS protocol, VCS recovery and destruction of ODS, ACR HFC refrigerant, ACR foam blowing agents, JCM/Indonesia High-efficiency refrigerator, and JCM/Bangladesh High-efficiency chiller cases. These ODS mitigation methodologies all have various standardized variables and default definitions but considerable inconsistencies among them appeared. The expert and stakeholder consultation processes when applied for ODS related methodologies are all influenced by commercial interests of ODS replacements technology providers. I believe ACR's consultation has been the most effective for ODS methodology cases because of its two-step consultation in the development stage, first a public comment period followed by a scientific peer review. During the first step, the various commercial and non-commercial issues are collected, the second step allows to scrutinize all issues raised and clarify the nature of each issue. CAR consultations are the most "vulnerable" because CAR selects workgroup participants among directly interested companies, leaving them to deal with direct conflicts of interest, and thus the selection of the workgroup participants decide the results. CARB consultations are the opposite because they are the largest consultation exercises and follow the Administrative Procedure Act (APA) applied to all government regulations in the state of California. CARB's staff follows APA with routine and all stakeholders participate with thorough experience of APA. However, the transparency of APA has not led to instances of a standardization or default in a CAR protocol being modified or improved. Rather CARB has decided not to take up many of CAR protocols (ODS and others) and while these decisions are not explained, protocols with potentially contentious issues are thereby avoided. For a revealing example, CAR's nitric acid methodology (N₂O baseline) has been struggling with catalyst manufacturers' proprietary knowledge (Uhde, BASF, Heraeus, Johnson Matthey), and relations between carbon market investors, plant owners and technology providers, as in the CDM with ACM019.

Irrespective of the differences among the expert and stakeholder consultations between CAR, CARB, ACR, VCS and JCM, the quality of standardized baselines and defaults remains first of all dependent on the skills of staff directing the consultations. This is evident in EPRI's comparison of agricultural methodology development and more so in the differences among ODS methodologies. Differences among ACR, VCS and CAR for the agricultural methodology concerned assumptions about the properties of N₂O emission models and statistical uncertainties. Differences among CAR, VCS, ACR and JCM for ODS

methodologies are more diverse, reflecting data representativeness, assumptions about boundaries and secondary effects outside of the project boundary (unfortunately not policy regarding overlaps with the Montreal Protocol). While skill levels of staff cause quality differences among ACR, VCS and CAR, it seems impossible to define the expert and stakeholder consultations sufficiently to prevent these quality differences.

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One conclusion to draw from the consultations used in CAR, ACR, VCS, JCM, EU-ETS and ANSI is that an “elaborated process-oriented approach for the development of SB” is a very challenging ambition. An alternative to consider is to aim at an “elaborated process-oriented approach” first for a number of economic sectors. This certainly helps to avoid a process for expert consultations, experts’ qualifications and broad criteria for the development of SB that are too vague to assist a DNA.

Two conditions can be used as a point of departure for an “elaborated process-oriented approach”, one, the DNA has chosen to not apply the CDM guidelines for SB, and two, the Executive Board’s impartial judgement on the results always remains. These two conditions both favour strengthening the DNAs’ flexibility to design expert and stakeholder consultations as it sees fit. The “elaborated process-oriented approach” can focus on enabling DNAs, assert mainly that a DNA is obliged to make all evidence, data and analysis public available and little else. Thereby, DNAs are left with a certain risk as they have little to predict the Executive Board’s decision and this could be acknowledged as an unavoidable risk.