#### PROJECT DEVELOPER FORUM

## Improving First-of-its-Kind & Common Practice Session III

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- × Guidelines for CP incompatible with Tool
- × Tool no longer valid & Guidelines withdrawn
- Additiolity Tool v6 (only)
  - First-of-its-kind is one of the barriers
    - FOIK facing many difficulties and are additional
  - Common practice analysis is a <u>credibility check</u>, analysing the diffusion of the project type
    - Reduced to simple equation: Similar > 3 > 20%
    - ✓ CLA\_Tool\_0015
- New documents for EB69 (and this meeting)

#### **First-of-its-kind**



- Barriers due to prevailing practice, inter alia the project is first-of-its-kind
  - Only the first project
    - Until experience shared, barrier is not removed
    - Partially overcome by timing of analysis
  - × Geographical area
    - Brazil vs Bhutan, China vs Comoros
  - × Limit to 10 years
  - First-of-its-kind projects difficult to prove other barriers / IRR analysis to the required standard
    - But face many barriers
  - Concept 'measure' (para 6) still unclear to many

## First-of-its-kind (2/new)



New guidelines document mostly replicates Tool

- Geographical area
- × Only the first project
  - Partially overcome by timing of analysis
  - Analysis should be at the time of investment decision
- × Limit to 10 year
  - Despite EB discussion
  - No justification for limit
- First-of-its-kind projects don't need to prove other barriers / IRR analysis to the required standard
  - Clarified
- Concept 'measure' explained, but still unused
  - May still cause confusion to some



- Credibility check of the additionality assessment
- If the project type is "widely observed and commonly carried out, it calls into question [the additionality assessment] of the project"
- Reduced to simple equation
  - no expert judgement, no common sense, no flexibility
  - Data requirement too great
  - CLA\_Tool\_0015: shows that using a subset of data is (more) conservative

# **Common practice (2)**



- Specific problems:
  - Geographical area / conservativeness
  - Data availability / inflexibility
  - Suggestion to include CDM projects (in footnote)
    - All CDM projects have proven to be additional, thus not "commonly" carried out.
    - Inclusion of CDM projects would completely invalidate this analysis as a credibility check.
    - Rather the opposite: if other projects are CDM projects, this <u>supports</u> the additionality assessment.
  - × Concept 'measure' (para 6) still unclear to many

# **Common practice (3/new)**



- New guidelines document mostly replicates Tool
  - Geographical area
  - Suggestion to include CDM projects (in footnote) removed from guidelines
    - Will be removed from new version of Tool
  - Inclusion of CDM and non-CDM in step 2 will probably lead to additional DOE demands for complete list
  - × Applicable output range change
    - Not always appropriate
      - 1 unit vs 100 units
      - 60 units vs 100 units
      - This needs expert judgement / common sense
        - Not simple most conservative assumption
    - Different technologies defined in capacity not unit (para 4 (iii))
  - Concept 'measure' explained, but still unused
    - May still cause confusion to some

# **Common practice (4)**



- Possible alternative approach:
  - Penetration rates of technology
    - Can use more general data of sectoral statistics
    - e.g. Most renewables have low penetration rates in electricity sector
  - Technology growth rates
    - Starting from low base
    - Rapid growth
      (>> industry/sector average)
    - e.g. Solar growing faster than power sector, starting from 0%
  - Share of CDM projects to date



**Common practice (5)** 



- Technology penetration rates could form basis of positive lists
- Most additionality could be simple positive list, only near profitability technology would need assessment



- Within the future structure of the climate regime, including the "New Mechanism", NAMAs, etc., the CDM could play different roles
  - Baseline setting
    - Emission (reduction) accounting, which may be used under various approaches (New Mechanism, NAMAs, etc.), providing standardised accounting, fungibility and comparability of effort
  - Credit allocation
    - Determining reduction as 'offsets' (currently additionality) vs domestic action or any combination

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#### Thank you for listening

The Project Developer Forum (PD-Forum) is a collective voice to represent the interests of companies developing greenhouse gas (GHG) emission reduction projects in international markets under the Clean Development Mechanism (CDM), Joint Implementation (JI) and other carbon emission reduction schemes and programs.

See our members at: www.pd-forum.net