Proposed revision of “Guidelines for the establishment of sector specific standardized baseline“ (SB guidelines)

8th CDM Round Table
Bonn, Germany, 17 June 2013
Purpose

• The purpose of this document is to present the key issues considered in revising the requirements specified in SB guidelines, their analysis and possible options to resolve them.

• The appendix-1 to this document summarizes the comments received from Meth Panel and stakeholders on various issues related to SB guidelines.
Issue 1: Additionality

Issue 1.1. Different thresholds for baseline and additionality: The current SB guidelines do not preclude different thresholds.

Issue 1.2. Two step requirements for additionality: The current SB guidelines contain two-step requirements for additionality (to develop positive list) (i) determination of a threshold and on top of that (ii) to test for financial attractiveness/barriers. Stakeholders have commented that there is a need to revisit this issue, especially consider one step only.

Examples depicting rationale for two steps: (i) NG power plant, (ii) RE, (iii) Economy of scale.

- Possible solutions (options):
  i) The same threshold for BL and ADD, and delete two step requirements (only one step).
  ii) The same threshold for BL and ADD, and keep two step requirements.
  iii) Different thresholds for BL and ADD, and delete two step requirements (only one step).
  iv) Different thresholds for BL and ADD, and keep two step requirements. (current requirements)

Q: What is your preferred option (and why and how to address weakness, if any, of the preferred option)?
Issue 1: Additionality

**Issue 1.3. Financial attractiveness and barrier for additionality:** It is not clear how to test financial attractiveness/barriers at the sectoral level, and how to consider the overlaps of costs and efficiencies between different technologies.

- **Possible solutions:** The “database of cost and efficiency of technologies” will be designed. The average of the cost range of each technology should be taken (or the lowest cost or highest cost).

**Issue 1.4. Positive list:** It is not clear how to define the positive list if the threshold falls on the least emission intensive fuel/feedstock/technology among those available in the country.

- **Possible solutions:** Option 1: Allow the technologies that are not in the country, Option 2: The one-step requirement for additionality.

**Issue 1.5. Comparison of cost:** The comparison of the levelised cost with all the technologies on the threshold or below the threshold is not required in order to develop the positive list.

- **Possible solutions:** The cost of technologies beyond threshold be compared with the technologies that contribute to the production of 30% (or X%) of the sector.

**Q:** What is your view on the issue of positive list and comparison of cost?
Issue 2: Level of aggregation/disaggregation

Issue 2.1. Level of aggregation/disaggregation: The SB guidelines provide very little guidance (e.g. output and geographical region) on how to choose the level of aggregation/disaggregation for “sectors”, “technologies”, “fuels & feedstock”. It is also not clear how to develop the emission factor for power sector.

Issue 2.2. Definition of “sector”: Lack of guidance on “sector”.

Issue 2.3. Vintage and scale: The scale and age of plants, greenfield vs. brownfield are not considered in the current SB guidelines.

Possible solutions:
- Provide more guidance/process for selecting the level of aggregation / disaggregation including power sector. Significant dissimilarity in performance should be the basis irrespective of scale/vintage/geography.
- Require host country DNAs to provide the justification for disaggregating a sector and developing multiple SBs for different segments of the sector.
- Keep the sectoral identification flexible in the SB guidelines based on output it generates.

Q: What is your view on the issues above? Any mandatory requirements are required for disaggregation?
Issue 3: Separation of “measures” and definition of “technology”

Issue 3.1. Separation of “measures”: There is a need to explain the cases where fuel switch and technology switch can and should be separated. There is also a need to provide examples on how reference fuel and technology can be clearly identified.

Issue 3.2. Definition of “technology” and performance data (design vs. actual): The “technology” is not specifically defined in SB guidelines. Due to issues related to design data (e.g. limited data availability), it is suggested to allow the use of actual performance.

Possible solutions:
• Provide examples on how reference fuel / technology can be clearly identified.
• Define “Technology” as “the entire plant comprising of the full set of production equipment and utilities to produce the output”.
• Allow the use of actual performance data of plants and to clarify how to identify baseline fuel/feedstock/technology when actual performance data is used.
• Clarify that technologies are not to be demarcated based on their names, but their performance. Similar technologies could be grouped.

Q: What is your view on the issues above?
Issue 4: Consideration when developing SB

Issue 4.1. Consideration for the data from plants/facilities which have registered CDM projects in developing SB: Current SB guidelines do not define whether the data from plans/facilities which have registered CDM projects should be used for establishment of SB.

➢ Possible solutions:
   i. Ignore if the plants/facilities have contribution of **less than 5%** of the output of the sector in the host country.
   ii. Follow the approach (detailed in the doc) if the plants/facilities have contribution of **more than 5%** of the output of the sector in the host country:
   iii. Due care should be taken while issuing the CERs to the projects using SB, from a plant/facility which already has a CDM project registered.
Issue 4: Consideration when developing SB

Approach to consider for the data from plants/facilities which have registered CDM projects in developing SB

Q: What is your view on the approach described above on how to consider CDM plants/facilities while developing SB?
Issue 4.2. Consideration of Suppressed demand: Current SB guidelines do not define whether suppressed demand should be considered in the establishment of SB.

Possible solutions:
- Should be considered when developing thresholds for SB.

Q: How the consideration of suppressed demand should be treated under SB?
**Proposed work and timelines**

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<td>8th CDM RT (17 June)</td>
<td>Consultation workshop (9 July)</td>
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<td>MP 60 (20–23 Aug)</td>
<td>SSC WG 41 (26–29 Aug)</td>
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<td>EB75 (23-27 Sep)</td>
<td>EB76 (4-8 Nov)</td>
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