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

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



UNFCCC Secretariat SDM programme

#### 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 1.1. 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: Option1: 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 2.1. 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 4.1. 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 <u>less than 5%</u> of the output of the sector in the host country.
- Follow the approach (detailed in the doc) if the plants/facilities have contribution of <u>more than 5%</u> 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.



## 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

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

