

# Workshop Report

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## 8th CDM Roundtable

Version 01.0

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Place of meeting: Bonn, Germany

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# 1. Introduction

## 1.1. Background

1. The 8<sup>th</sup> CDM Roundtable took place on Monday, 17 June 2013 at Langer Eugen, UN Campus in Bonn, Germany. Participants representing the Clean Development Mechanism (CDM) regulatory bodies and expert support, designated national authorities (DNAs), multilateral institutions, non-governmental organizations, designated operational entities (DOEs), project participants/developers (PPs), and the secretariat's support team took part in this one-day event<sup>1</sup>.

## 1.2. Mandate and objective

2. The consultation was organized as part of the Sustainable Development Mechanism (SDM) programme's continuing core support activities to facilitate the interactions between the CDM Executive Board (the Board), the secretariat and stakeholders.
3. The agenda was developed to enable stakeholder consultation on products set out under projects defined in the Board's 2013 management plan (MAP). This event thus provided a timely and structured opportunity for gathering direct stakeholder feedback on the development and implementation of policy- and technical-related work products and processes for forthcoming consideration by the Board.
4. The two main topics featured further work undertaken within the MAP project 127, *Implementation of the Programme of Activity (PoA) standards and procedures*, and project 110 *Standardized Baselines*.

# 2. Meeting format and featured topics

## 2.1. Meeting format

5. The meeting discussion covered the latest revisions to the PoA standard and standard on sampling and surveys, and four areas of work under the standardized baselines (SB) workplan: revisions to the guidelines for SB; requirements for a possible application standard for SB; issues for proposed guidelines on vintage of data and frequency of update of SB; and a draft revised procedure covering development, revision, update, and clarification of SB. Draft versions of the documents/discussion papers for each session were circulated to participants prior to the consultations.
6. All discussions took place in group plenary format. Each topic was introduced by a secretariat presentation on the current work, applicable options, and issues for consultation. External stakeholder presentations provided views, experiences, and proposals related to the respective topics.
7. Presentations were followed by open discussions. For each of the SB sub-sessions, a short introductory presentation by the secretariat highlighted specific questions and issues for feedback. Discussions were moderated, with clarification provided by the secretariat where appropriate. Moderators presented an overview of issues and proposals made by participants during a wrap-up session in closing plenary.

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<sup>1</sup> Sixteen (16) non-secretariat participants took part, of which three (3) were women.

## **2.2. Featured topics**

### **2.2.1. Revisions to the PoA standard and standard on sampling and surveys**

#### **2.2.1.1. Presentations**

8. The secretariat provided an overview of draft revisions to the standard on the demonstration of additionality, development of eligibility criteria and application of multiple methodologies for programmes of activities (PoA standard) and the draft standard for sampling and surveys for CDM project activities and programme of activities (sampling standard). Updated options on several issues were presented following guidance provided at the recent seventy-third meeting of the Board (EB 73).
9. A presentation from C-Quest Capital provided an overview of their experiences in developing PoAs, including challenges faced during verification, particularly with regards to synchronized issuance. It was reported that verification of a PoA could likely be delayed due to inability of the coordinating/managing entity (CME) to bring together all the different relevant investors. Due to different timelines of individual component project activities (CPAs), only a small proportion may have been implemented or could be ready for requesting issuance at a given time. For a given monitoring period, investors for some CPAs would not be willing to proceed as the transaction costs are seen to be too high given their respective volume of issuance. Proposals included “de-coupling” / allowing individual CPA requests for issuance, with a suggestion to group three requests at a time to ease the processing burden, and to review the current rule on timing/frequency of submissions of requests for issuance.
10. A DOE presentation provided an overview of AENOR’s experience with validation of PoAs, highlighting challenges faced regarding criteria for eligibility and additionality, CPA starting date, monitoring and sampling of CPAs, and emission factors at PoA / CPA level. Foreseen challenges in PoA verification included determination of appropriate sample size, challenges in verifying large data sets, and geographic, social, and economic constraints. Clarification on conditions for approval for DOEs to validate and verify the same PoA were requested. Feedback on several issues discussed at EB 73 was also provided.

#### **2.2.1.2. Group discussion and inputs received**

11. Regarding pragmatic approaches for meeting reliability targets, the proposed language and approach were supported, along with a clarification regarding prior approval requirements. A three-year grace period following the adoption of the next version of the sampling standard was proposed for switching to relative precision requirements. Regarding additionality on PoA and CPA level, approaches were deemed suitable with a request to clarify requirements for including investment analysis input values in the PoA-DD when applicable. On sampling by DOEs and dealing with multiple methodologies, the proposed language and approach were likewise supported.
12. Clarifications on post-registration requirements for changes to CME and changes to investment analysis parameters were requested, as well as for validation and verification of cross-effects between technologies/measures. Participants recommended urgent solutions for the challenges encountered with the synchronized issuance rules, which was considered a major priority for enabling successful issuance of CPAs in the pipeline.

## 2.2.2. Standardized Baselines

### 2.2.2.1. Presentations

13. The secretariat briefed participants on the background and status of ongoing work under the standardized baselines (SB) work programme, including a review of key SB concepts, the development process and modalities of submission of SB, related tools and data quality concepts and methods, an update of current SB in the pipeline and a summary of the forthcoming SB documents.
14. A practitioner's presentation featured Perspectives' experience in standardization, and observed challenges related to standardized baselines. Data collection was identified as an important component of the SB process, with several issues on accessibility/availability, vintage, aggregation, and consistency of data illustrated. Methodological challenges highlighted difficulties in applying sector-specific guidelines in certain situations; examples included separation of measures, determination and application of suitable additionality and baseline thresholds, and the question of addressing suppressed demand. Procedural issues on the DNA quality assurance/quality control (QA/QC) process were also presented.
15. Recommendations highlighted applicability of SB as a key consideration, with more balance welcomed between a top-down approach and bottom-up approach. Increased capacity-building, particularly for DNAs was recommended to support their role in the overall process and development of SB.
16. Views were presented by the Designated Operational Entities and Independent Entities Association (DIA). SB was acknowledged as important to the up-scaling of the CDM and possible preparation for the future mechanisms. As baseline and additionality may typically be the most costly components of PDD development and validation, it was proposed that any approaches also minimize such costs. Ideas including a standardized approval process and introduction of a faster registration/request for review process were also presented. SB should be inherently conservative, ensuring environmental integrity, and may also reduce risk of liability for both DOEs and PPs. Business consequences and highlights of a DOE experience with one SB assessment were also presented.
17. Input regarding data vintage and SB update frequency included a clarification on options for using less than three years of primary data, use of conservativeness factors to address deviations to regulations on data quality, and a request for clarification on "year" (i.e., calendar year vs. seasonal data). The approach to linking currentness and variability was seen as suitable for determining temporal validity. On application requirements, allowing a choice between approaches was supported, highlighting consideration of the trade-off between conservativeness and development/monitoring costs. Prior consideration was proposed to be applied only to activities not started when the SB was approved, to be potentially facilitated by a faster validation and registration process. Regarding validity of SB to an already registered activity, maintaining the security of an investment decision based on original figures was stressed. Open issues highlighted included application of materiality in SB, treatment of data incompleteness, liability issues in baseline assessment and validation/verification, and updates to validation rules, guidance, and templates.
18. The secretariat provided an introductory run-through of the main questions and issues for consultation relevant to each of the SB sub-sessions: the revisions of the SB

guidelines, requirements for SB application, issues on data vintage and frequency of update of SB, and the draft revised SB procedure.

#### **2.2.2.2. Group discussion and inputs received**

19. On the revisions to the SB guidelines, discussion on the proposed revisions covered several elements across four key issues: additionality, level of aggregation/disaggregation, separation of “measures” and definition of “technology”, and the consideration of suppressed demand and data from facilities with registered CDM projects in developing SB.
20. Participants suggested keeping the guidelines generic to allow for different approaches, and expressed preference for removing two-step additionality requirements and maintaining the possibility of having different thresholds for baseline and additionality. The proposed guidance for selecting the level of aggregation/disaggregation, as well as allowing the use of actual performance data were generally supported. On the definition of “technology”, the use of a term derived from emissions performance was proposed. It was suggested that proponents should describe how suppressed demand was taken into account, and that the proposed approach for considering data from facilities with registered CDM projects in developing SB should be further considered.
21. On the requirements related to the application of SB, discussion points focussed on four key issues: selection of approved SB vis-a-vis approved methodology, treatment of facilities with a technology in the positive-list of an approved SB before the implementation of the project activity; validity conditions of a SB to project activities and PoAs, and issues related to double counting of emissions reductions if a project is implemented using a SB in a plant that already has a CDM project that has been taken into account when developing the SB.
22. Support was split between giving PPs free choice between SB and methodology and making it mandatory to always use an approved SB; as both options may be applicable, further definition of which circumstances would apply in each case is needed. Mandatory application would be preferred if the SB realistically represents the sector. On treatment of facilities already in the positive list, participants expressed a preference for using the positive list for additionality demonstration in which case historical emissions were proposed to be used to claim CERs. The option of full use of a SB including the positive list and baseline emission factor under special circumstances (e.g. suppressed demand) needed further consideration. Different stakeholders supported different options for validity of SB<sup>2</sup>, and pros and cons of each option taking into account predictability and complexity. Analysis of options was requested for treating a scenario of a registered PoA using a specific methodology, if use of SB becomes mandatory by the time of inclusion of a CPA. It was considered that the issue of double counting was not specific to SB but to the CDM in general and should not be discussed at this particular time.
23. The discussion regarding guidelines on data vintage and frequency of updates of SB highlighted the concepts of data coverage, currentness, and validity and impacts of external conditions such as evolution of technology, fuel prices, sectoral growth, and emergence of new policies. Applicability of the guidelines to primary and secondary data sources, requirements on coverage of primary data and setting criteria based on

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<sup>2</sup> The use of the SB version at the time of CPA-DD validation and the use of the version available at the time of stakeholder consultation of the PoA-DD.

sector/technology were also discussed. Participants also discussed considerations for determining key factors for currentness requirements and assessment of SB validity.

24. On requirements for primary and secondary data, it was proposed to include requirements for primary data and a tiered approach (criteria suggested for 1 year / 3 year requirements) for secondary data. Regarding currentness of data, the proposed approach (3 years, 5 years, with improvement factor) may be applied for the initial submission of the SB. For update of SBs, a proposal was made to devise an indicative table showing applicability of 3 years or 5 years to different sectors; it was also indicated to keep predictability as an important general principle. On the validity of SB, it was proposed to use internal checks on the data variation to ensure validity of SB, to allow a longer validity period if fast-changing sectors adopt dynamic baselines, and to develop a monitoring tool including key indicators to facilitate ex-ante assessment of validity. Other inputs from participants included a recommendation to refer to EU environmental footprint guides for reference on secondary data use criteria and QA/QC issues, consideration that standardization may not be appropriate for some sectors, and to develop further guidance on treatment of inconsistent data (e.g., from different sources).
25. In the fourth SB session, participants discussed the proposed draft procedure, including the requirements and options for using the formats of standardised baselines with or without methodology (SB or SBM), possible examples and relative advantages and disadvantages examples of each approach.
26. Inputs to the draft procedure requested further simplification and clarification of underlying concepts. Using SBM was seen as an option only where necessary. It was also recommended to avoid frequent revisions of global methodologies.

### **3. Next steps**

27. The list of participants, agenda, and presentations have been published on the CDM Stakeholder Interaction website (<http://cdm.unfccc.int/stakeholder/index.html>) .
28. Inputs from participants on the respective topics will be tracked, and their status reported back to the subsequent roundtable and made publicly available on the CDM Stakeholder Interaction website. These will also be accounted for (how and where incorporated in the ongoing work product(s); justification if not incorporated) in presenting the further work to the Board, in accordance with the modalities and procedures for direct communication with stakeholders.

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