

CDM-SSCWG41-A11

Information note

Questions for public inputs on expansion and framework for assessing graduation of the positive list of technologies

Version 01.0



United Nations
Framework Convention on
Climate Change

COVER NOTE

1. Procedural background

1. Demonstration of additionality in an objective manner has been recognized as the one of the most important aspects for the credibility of issued CERs for a clean development mechanism (CDM) project. It has also proved to be one of the most time and resource consuming aspects of a CDM project, impacting type and regions that can be covered under the CDM. Therefore simplification of rules pertaining to additionality demonstration, in particular for small-scale CDM projects, continues to be of great relevance for CDM.
2. The Board at its sixty-eighth meeting requested the Small-Scale working group (SSC WG) to analyse options (e.g. penetration rate, time horizon) to objectively determine the graduation of the current positive list of technologies (i.e. point in time when they are become matured and cost competitive and shall be no longer defined automatically additional).
3. Further CMP 8, paragraph 31 encouraged the Board to further extend the simplified modalities for the demonstration of additionality, including positive lists, to a wider scope of SSC project activities, while ensuring environmental integrity.
4. In this context, the SSC WG at its 41st meeting conducted an initial discussion; taking into account input received from external expert, on possible approaches and prepared a list of questions contained in this document for specific public input on issues related to the expansion and graduation of the current positive list of technologies.

2. Purpose

5. The aim is to expand the positive list to a wider scope of small-scale project activities and to provide criteria to objectively determine the graduation of the positive list of technologies applicable (i.e. point in time when they are become matured and cost competitive and shall be no longer be defined automatically additional).

3. Key issues and proposed solutions

6. Demonstration of additionality is deemed as one of the resource intensive aspects of the CDM project cycle and a simplification of the procedures for additionality for preferred projects such as small-scale projects is considered desirable. Currently attributes of the CDM project such as first-of-its-kind, financial attractiveness, prevalence of barriers to implementation and commonality are analysed to determine additionality of CDM projects. The Board has been making efforts in the realm of small-scale projects where micro-scale projects and small-scale projects directly benefit from simplifications such as a sub-limit under which projects are automatically additional as well as a positive list of technologies that are deemed additional. The proposed work is the continuing effort to further simplify and extend the modalities for demonstration of additionality and expand the scope of the positive lists, while ensuring environmental integrity.

4. Impacts

7. Not applicable (call for public input).

5. Proposed work and timelines

8. The SSC WG, at its 41st meeting, prepared a list of questions in relation to expansion/graduation of the positive list of technologies applicable under “Guidelines on the demonstration of additionality of small-scale project activities”. After receiving public input on the document, the SSC WG will continue working on the revision of the “Guidelines on the demonstration of additionality of small-scale project activities” and will propose a recommendation to the Board at its future meeting.

6. Budget and costs

9. No budget implication.

7. Recommendations to the Board

10. The SSC WG recommended that the Board launch a call for specific public input on a list of questions as contained in this document, in relation to expansion/graduation of the positive list of technologies applicable under “Guidelines on the demonstration of additionality of small-scale project activities”.

8. References

- (a) Guidelines on demonstration of additionality of microscale project activities available at: <<http://cdm.unfccc.int/Reference/Guidclarif/index.html#meth>>;
- (b) Guidelines on the demonstration of additionality of small-scale project activities available at: <<http://cdm.unfccc.int/Reference/Guidclarif/index.html#meth>>;
- (c) Draft decision CMP/.8 (paragraph 31). Available at: <<http://unfccc.int/resource/docs/2012/cmp8/eng/13a02.pdf#page=7>>;
- (d) EB 68 request (paragraph 108). Available at: <http://cdm.unfccc.int/EB/archives/meetings_12.html#68>;
- (e) Annex 12 and 13 of the annotations to the agenda of the sixty-eighth meeting of the Board, namely “Draft guidelines on the demonstration of additionality of small-scale project activities” and “Information note on the extension of simplified modalities for the demonstration of additionality of small-scale CDM project activities” respectively. Available at: <<http://cdm.unfccc.int/Meetings/MeetingInfo/DB/Y5JBDO6K1WSUC29/view>>;
- (f) Annex 6 of the thirty third meeting report of the SSC WG, document entitled “Information Note on Guidelines for the demonstration of additionality of microscale project activities”. Available at: <http://cdm.unfccc.int/Panels/ssc_wg/meetings/033/ssc_033_an06.pdf>.

1. Introduction

1. The Executive Board (hereafter referred to as the Board) of the CDM has approved simplified modalities for the demonstration of additionality of small- and micro-scale project activities, for example: (a) micro-scale project (e.g. ≤ 5 MW project) namely "Guidelines on demonstration of additionality of micro-scale project activities";¹ and (b) for small-scale projects (e.g. ≤ 15 MW project) namely "Guidelines on the demonstration of additionality of small-scale project activities".²
2. The Small-Scale working Group (SSC WG) of the Executive Board (hereinafter referred to as the Board) of the clean development mechanism (CDM) is working on a proposal to: (a) expand the positive list to a wider scope of small-scale project activities and to (b) analyse options (e.g. penetration rate, time horizon) to objectively determine the graduation of the current positive list of technologies (i.e. the point in time when they are matured and cost competitive and shall be no longer defined automatically additional. The SSC WG is thus seeking public input on the issues presented below.

1.1. Issues on which feedback is requested

1.1.1. Graduation metrics

3. The SSC WG is considering the following metrics to decide on graduation from the positive list so as to safeguard the environmental integrity of the CDM. **The SSC WG would welcome comments on the appropriateness of these metrics:**
 - (a) Annual market share: for project activities that involve consumer or business products that are retailed regularly such as efficient lighting systems, efficient refrigerators, efficient cook-stoves, efficient air-conditioners, fuel efficient vehicles etc. a metric such as annual market share can be used to specify a volume below which the project activity can make use of the positive list to demonstrate additionality;
 - (b) Cumulative market share: for project activities which involve infrastructure investments like power generation systems such as off-grid and grid-connected renewable energy or fixed systems such as waste management. The cumulative market share ceiling of the specific technology can be specified, below which the positive list of the technology can be applied;
 - (c) Investment cost: can be a metric for projects where the investment cost of a technology is higher than the baseline technology as a result of the lower scales of production, importation or features of the technology. Examples include solar energy, electric vehicles, energy efficient buildings etc. In such a case, the positive list can be used to demonstrate additionality for the specific technology as long as the investment cost for a technology is higher (e.g. at least two times) than the baseline technology;
 - (d) Service or product costs: for technologies which provide a service such as electricity, heat, transportation/mobility, waste management etc. the cost of a unit

¹ Please refer to: <<http://cdm.unfccc.int/Reference/Guidclarif/index.html#meth>>.

² Please refer to: <<http://cdm.unfccc.int/Reference/Guidclarif/index.html#meth>>.

of service (cost of 1 kWh of electricity, cost of managing 1 tonne of waste etc.) can be used as a metric. In such a case the positive list can be used to demonstrate the additionality for the specific technology as long as the cost for providing a unit of service is higher (e.g. at least two times) than the baseline technology.

4. **Decision making on graduation of technologies:** the graduation framework would differentiate between different stages of market development in different countries by allowing national/regional differentiation. It would also be better to start with all countries eligible to use the automatic additionality for technologies being considered and then exclude specific countries based on market and cost considerations. It should also be possible for the DNAs to propose, and retain their country eligibility for the positive list considering the market and cost metrics as discussed above for the host country. In this context, determination of whether a technology has graduated from the positive list shall be assessed once in three years from the date of adoption of the technologies under the positive list and can be done through three different processes. The SSC WG is considering the following process management approach to decide on graduation of technologies from the positive list. **The SSC WG would welcome comments on the suggestions on the practical application of this process:**
 - (a) By the Board: in this process, a global list of technologies that are in the positive list as well as a list of technologies that have graduated will be published by the Board on recommendations of the SSC WG. The SSC WG can consider the appropriate global market/cost metrics to determine the graduation of technologies and remove these from the positive list;
 - (b) By the host country: in this process the Designated National Authority (DNA) may develop a list of technologies that have not graduated from the positive list (i.e. retain their country eligibility for the positive list). Such lists can be developed and proposed by the DNA for approval by the Board. Similar approaches have been followed in the case of micro-scale renewable energy technologies and Special Underdeveloped Zones (SUZ) by DNAs with a predefined objective criteria;
 - (c) By project participants: in this process each of the projects would provide evidence to show that the technology/measure being used has not reached of the criteria for graduation.
5. Whether it would be desirable to have a separate list of technologies that would be automatically additional for all non-Annex I countries and one for LDCs. Should we then apply different maximum percentages/cost differences for LDCs, or perform a separate analysis for LDCs, or both ? For example:
 - (a) Market share maximum five per cent for all non-Annex 1, and maximum ten per cent for all LDCs, based on global market share for the technology;
 - (b) Market share maximum five per cent for all non-Annex 1 and ten per cent for all LDCs, based on respective market share for the technology in non-Annex 1 and LDCs (can we get this data?);

1.1.2. Expansion of the positive list

6. **The SSC WG welcome inputs on expanding the current positive list technologies**³ for example in the areas of energy efficiency, renewables, energy access, resource recovery and reuse and transportation with objective criteria to deem those technologies automatically additional. The relevance, needs and opportunities associated with proposed technologies in non-Annex I countries can also be highlighted.
7. **The SSC WG also welcome input on which positive list of technologies** those are currently covered under the “Guidelines on the demonstration of additionality of small-scale project activities” shall be separately handled under the specific small scale methodologies that covers the technologies in questions. For example paragraph 2(c) of the guidelines covers range of technologies that are deemed automatically additional where project activities are solely composed of isolated units and the users of the technology/measure are households or communities or SMEs and where the size of each unit is no larger than five per cent of the SSC thresholds. Whether some technologies (e.g. CFL which has already gained sizeable market share in non-Annex 1 countries) shall be dealt using different criteria and handled under the specific methodologies (e.g. “AMS-II.J: Demand-side activities for efficient lighting technologies”)?

Document information

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³ Guidelines on the demonstration of additionality of small-scale project activities.