

New project in the same physical or geographical location at which a project whose crediting period has expired existed

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1. Background

1. The Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP), through decision 3/CMP.9, paragraphs 15–17, decided as follows and requested the Board to report back as appropriate:

“15. Confirms that, after the expiry of its crediting period, a project activity or programme of activities that has been registered as a clean development mechanism project activity or programme of activities may not be re-registered as a new clean development mechanism project activity or programme of activities;

“16. Recognizes that a new project activity or component project activity could be registered at the same physical or geographical location at which a project activity or component project activity whose crediting period has expired existed, if the new project activity or component project activity is not a continuation or modification of the old project activity or component project activity;

“17. Requests the Executive Board to report to the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol at its tenth session on the implementation of paragraph 16 above, including on criteria established to determine whether a project activity or component project activity is a continuation or modification of another project activity or component project activity, and, if necessary, to also make recommendations on possible changes to the modalities and procedures for the clean development mechanism”.

2. This document aims to:
 - (a) Define and develop criteria on how to determine whether a PA or CPA is a continuation or a modification of another PA or CPA;
 - (b) Assess and report whether changes to the modalities and procedures for the CDM¹ are required.]

2. Key issues and proposed options

1. Based on the above mandate, it is evident that a new CDM PA or component project activity (CPA) may be registered on the site of an existing project whose crediting period has expired if it can be demonstrated that it is not a continuation or modification of the existing PA/CPA.PA/CPA.
2. The secretariat prepared a discussion paper (appendix 1) and detailed scenario analysis (appendix 2) based on the inputs and discussion with the Methodologies Panel analysing different situations that may arise from implementing a PA/CPA at the same site of an existing PA/CPA whose crediting period has expired.
3. Based on the discussion paper and detailed scenario analysis prepared by the secretariat, the Methodologies Panel and the secretariat identified the criteria for

¹ Decision 3/CMP.1, annex; decision 4/CMP.1, annex II; decision 5/CMP.1, annex; and decision 6/CMP.1, annex.

determining whether a proposed CDM PA/CPA is a continuation or modification of an existing PA/CPA.

4. The CMP requested the Board to report on “...*criteria established to determine whether a project activity or component project activity is a continuation or modification of another project activity or component project activity*”. This was done by:
 - (a) Proposing when a proposed PA/CPA is a continuation of an existing PA /CPA;
 - (b) Proposing when a proposed PA/CPA is not a modification of an existing PA /CPA;
 - (c) Proposing to include new reporting requirements for green field project activities on pre-project activities in geographical site of the proposed PA/CPA.
 - (d) Proposing a procedure to identify [clarify] prior to registration whether a proposed PA/CPA is a continuation/modification of an existing PA /CPA in other cases;
5. The CMP requested the Board “*if necessary, to [...] make recommendations on possible changes to the modalities and procedures for the clean development mechanism*”. This is not considered necessary for approving the definitions of what is considered a continuation and not clearly modification; but further work on approval of cases that are not continuous will require policy guidance on baseline, additionality and when developed, based on the outcome it may or may not require changes to the CDM M & P. At this point, this work has not been conducted.

2.1. Key issues

6. Considering the discussion paper presented in appendix 1, the criteria that have been identified to assess whether a proposed CDM PA/CPA is a continuation or modification of an existing PA/CPA are as follows:
 - (a) Whether the same measure is used to reduce greenhouse gas (GHG) emissions, for example: fuel/feedstock switch, technology switch, methane destruction and methane avoidance, etc.;
 - (b) Whether the same technology (or technologies) is/are used;
 - (c) Whether the same assets/equipment are used, in other words there is no new substantial investment;
 - (d) Whether the proposed PA/CPA provides the same service, .for example a PA/CPA which is utilizing waste heat for electricity generation changes the use of waste heat to drying;
 - (e) Whether the same input/resource is used, for example a by-product of the HCFC22 production facility is used in both the existing and the new PA/CPA.
7. Based on the above criteria and analysis of various situations taking into account such criteria, the secretariat and the Methodologies Panel identified the following three broad categories of situations which can be either clearly identified or be identified as a situation requiring further guidance:

- (a) The proposed CDM PA/CPA is clearly a continuation of the existing PA/CPA;
 - (b) The proposed CDM PA/CPA is clearly not a modification of the existing PA/CPA;
 - (c) The proposed CDM PA/CPA does not clearly fall under one of the above two categories and requires a specific analysis. Moreover, some issues were identified during the analysis that necessitates further guidance from the Board for such cases, for example the impact of the existence of the old PA/CPA on the baseline of the proposed CDM PA/CPA, or the leakage effect as a result of the remaining lifetime of the existing PA/CPA or projects retiring prior to the end of the crediting period, etc.
3. Based on the analysis it was also identified that in order to implement the request from the CMP certain additional reporting requirements/procedural changes would be required.

2.2. Options

4. The following definitions and options have been considered:
- (a) Definition of what is a continuation of an existing PA/CPA: “A proposed CDM PA/CPA is considered to be a continuation of an existing PA /CPA if:
 - (i) It is on the site of an existing CDM PA/CPA whose crediting period has expired; and
 - (ii) If there is no difference in the measure, type, equipment, technology, service or input resources between the two PAs/CPAs; and
 - (iii) Any new investment undertaken is only for regular or preventive maintenance”;
 - (b) Definition of what is a new PA or CPA and is not considered a modification of an existing CDM PA/CPA: “A proposed CDM PA/CPA on the site of an existing CDM PA/CPA whose crediting period has expired is considered a new PA/CPA and not a continuation or modification if any of the following applies:
 - (i) It utilizes both a different measure and a different technology than the existing PA/CPA (e.g. a wind power park is converted into a landfill site);
 - (ii) The new PA/CPA does not share or utilize any of the equipment/assets of the existing PA/CPA;
 - (iii) It utilizes a different resource type compared to the existing PA/CPA (e.g. wind park converted to solar power generation)”;
 - (c) For all situations project participants, coordinating/managing entities or DOEs should seek prior approval from the Board before submitting a request for registration through the clarification route in accordance with the procedure “Development, revision and clarification of baseline and monitoring methodologies and methodological tools”. Also, to handle”. For such cases, agree to develop further guidance to cover the identified issues related to baseline, lifetime, and leakage, retiring of PA/CPA prior to end of the crediting period. The secretariat and the Methodologies Panel could further develop such guidance;

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- (d) Add a new requirement to report previous CDM PAs/CPAs which existed in the geographical boundary of the proposed CDM PA/CPA;
5. Draft revised CDM regulatory documents for consideration and adoption at a future meeting of the Board to implement the above recommendations to be prepared.

3. Impacts

6. Project participants will have clarity on the eligibility of new PA/CPA being proposed under the CDM at the site of an existing CDM PA/CPA whose crediting period has expired and what scenarios are considered as a modification/continuation of the existing project.

Appendix 1. Discussion paper

1. This appendix contains the background discussions and analysis which led to the recommendations laid out in this concept note. The discussion and analysis were held between the secretariat and the Methodologies Panel prior to and during MP63 to MP64.
2. The work was divided into two steps: (a) to define what is a continuation and what is not a modification; and (b) for other cases, what potential policy issues would evolve when they are analysed on a case-by-case basis.

Definition:

3. The CMP guidance (3/CMP 9, paragraph 17, see paragraph 3 this document) may be interpreted as those project activities/CPAs that are modification/continuation of an existing project activity will not be allowed to be registered as a new CDM project activity. In the current practice, various CDM methodologies allow activities such as efficiency improvements and/or retrofits, provided such project activities meet the other eligibility criteria such as establishing the baseline and demonstration of additionality. This essentially differentiates between simple modifications to a PA/CPA and activities which constitutes a new PA/CPA.
4. Furthermore, assessing what is continuation may be subject to interpretation; if a proposed project activity utilizes the same technology, measure and does not require substantial additional investment, is it considered a continuation of the existing project? Or would it be considered different, if it provides a different service? For example heat utilised for producing electricity in the existing CDM project; while the new project activity utilizes heat for drying purposes only. Therefore, it may be challenging to evaluate the eligibility of a proposed project activity if the definition of modification/continuation is not elaborated and made explicit, leaving no room for interpretation of the CMP 9, guidance paragraph 17;
5. Technology: Different technology may be enough to prove that this is not a continuation but then this would require a definition of what may constitute a technology, e.g. different insulation materials should not be considered different technologies to avoid claim of change of material for energy efficiency.
6. It would be daunting task to generalize all situations and derive an explicit definition on "which project activities is a continuation/modification of an existing PA/CPA". The one commonality that is identified between various scenarios is that when a new project does have all aspects similar to that of the (ex: such as same measure, technology, location etc.) existing project, it can be termed as mere continuation.
7. In order to define what is a continuation or modification, it was also analysed how methodologies deal with this definition. The conclusion is that if not all, almost all methodologies that deal with the rehabilitation, refurbishment, and/or modification classify something as not a continuation or modification by including an applicability condition by stating that a new "substantial" investment is undertaken to implement the project activity. However, there is no definition of "substantial investment" within our current CDM guidance/standards except for methodology AMS_I.L, where in it is defined as more than 50% from the initial investment in a rehabilitation project. Demonstration of substantial investment is relevant in situations where an existing and new projects share project technology and/or are of the same measure. However, this definition does not

take into account the price changes of technologies over time. Alternatively, the rationale from AM0062 of what would not be considered a new investment could be used, where it states “All the recommended regular or preventive maintenance activities (including replacements and overhauling) as provided by the manufacturer of turbine; superior practice of preventive maintenance e.g. sophisticated cleaning systems, resulting into an improved efficiency compared to historical efficiency after maintenance” when evaluating the investment in the new project activity.

Conclusion on definition:

8. Based on the above considerations, the definition of what is a continuation and what is not a modification is derived as per Para 15 (a and b) in the main text of the document.
9. It is also considered that for situation which do not necessarily falls into the definition identified in Para 15 (a & b) ,the issue need to be analysed on a case to case basis, while doing so it is identified that the following two major policy issues would emanate.

Baseline identification:

10. How should the baseline of the new project activity be identified? Can the new project activity establish a new baseline independent of the expired CDM project activity? This would apply both to the cases of the projects within the same measure and different combinations of measures. As per the current CDM M&P, a baseline represents a situation that would have occurred in the absence of a CDM project activity; hence the question remains whether the baseline for the new project activity is the existence of the previous CDM project activity or its absence? There could be two ways of assessing them:
 - (a) The baseline of the new project activity is the existence of old CDM project activity;
 - (b) The baseline of the new project activity is non-existence of the existing CDM project activity.
11. It will always be difficult to generalize what should be baseline for different scenarios; it may vary broadly based on technologies, measures, activity types etc. For example in case of an energy efficiency activity (e.g. boiler efficiency), it would be easier to state that the baseline is the efficiency of the existing CDM project whilst in case of shift from wind to solar, it will be difficult to state that the electricity generated by wind in baseline should be adjusted, as the baseline defined for this type of activity is a “market” i.e. the electricity grid. It seems that closely-bound projects would imply the baseline of the new project is the existing project.
 - (a) **Solution 1:** For project activities whose assets are under the direct control of the project proponents (e.g. efficiency of boiler system), the baseline of the new project should be existence of the old CDM project. For other projects (e.g. renewable energy power supply to grid), where a market determines the baseline, the existence of the previous CDM project activity can be discarded;
 - (b) **Solution 2:** Can we limit the pre-project scenario by establishing a cut off period for e.g. 3 years;
 - (c) **Solution 3:** The baseline of the new project activity is existence of old CDM project activity;

- (d) **Solution 4:** The baseline of the new project activity is non-existence of the existing CDM project activity.

Technical lifetime²:

12. Does the impact of technical lifetime of the existing project activity equipment need to be considered when designing a new CDM project activity on its site or it should not be considered?
13. There is a possibility of leakage emissions if the existing CDM project activities with a remaining technical life time are dismantled for the sake of the new CDM project. For example a wind power project whose crediting period has expired but has remaining technical lifetime is dismantled as the CERs from a solar wind power plant has higher price/demand;
14. If the technical lifetime of the wind power plant is completed at the end of the crediting period, then it is very simple to demonstrate it is a new project; however if the technical lifetime is not assessed, then there is a possibility of leakage. This could be addressed in one of the following manners:
- (a) ***Solution 1:*** Require project activities facing this situation to ask for a clarification, and solving this issue on a case-by-case basis;
- (b) ***Solution 2:*** Limiting the crediting period of the new project to that of the remaining life time of the existing project. (This means for example, if a wind power project has a remaining lifetime of 5 years but its crediting period has expired then a new solar plant on its site would be allowed but could claim emission reductions for only 5 years);
- (c) ***Solution 3:*** Limit the amount of eligible emission reduction adjusted to the technical life time of the expired CP project activity. (This means for example, if a wind power project has a remaining lifetime of 5 years but its crediting period has expired, then a new solar plant on its site would be allowed to claim emission reductions to its full crediting period length (3x7 or 10), but for the first five years it will be adjusted to the last five year average electricity generated by the wind project).

Crediting period / leakage:

15. It might also happens that prior to the completion of a crediting period, a new project activity could be proposed in same geographical location, in such case does crediting period have to be expired before a project activity is proposed on the site of an existing project activity? Or can a project participant decide to start a new CDM project on the site of an existing CDM project before its CP is expired? For e.g. existing project using bagasse as energy source is planned to stop and an energy efficiency improvement is undertaken and fuel switched to pellets/wood chips before the CP of the first project is expired;
- (a) ***Solution 1:*** If the replacement of equipment has just occurred because of the new CDM project activity, consider them in leakage.
- (b) ***Solution 2:*** Do not consider.

² As per the Tool to determine the remaining lifetime of equipment, EB 50 Annex 15

Conclusion on policy issues: Possibility that the secretariat and the Methodology Panel work further on these issues.

New reporting requirements:

16. The DOEs under the current reporting requirement of Validation and Verification Standard (VVS), do not need to report the pre-project activity in the physical geographical boundary for a greenfield project activity. The pre project activity is only reported for (a) A/R project or (b) projects involving biodiesel production and/or (c) projects developed in existing facilities. It is therefore necessary to revise existing regulatory document.
 - (a) The Project Standard (PS) paragraph 32 states “Project participants shall describe the scenario prior to the implementation of the proposed CDM project activity or CPA, including the technology(ies) employed” may be expanded to require information whether the project site for the proposed project activity was being used for any other CDM project activity;
 - (b) The corresponding requirement in the VVS, v 05.0, paragraph 65,the DOE shall conduct a physical site inspection for the following proposed project activities in existing facilities or utilizing existing equipment: (a).....it may be added (d) project activities that are being proposed on a site of an existing CDM project activity.
 - (c) The PDD template v5 states in section A that the “The scenario existing prior to the implementation of the project activity including, where applicable, the type of facility where the project activity will take place or replace (e.g. sugar mill, swine farm, iron smelter, etc.) should also be described; this description may be expanded to require the PPs to mention if any CDM project activity existed on its site prior to the proposed project activity;

Conclusion on new reporting requirement: Due to the above consideration, possibility to include a new reporting requirement for greenfield project activity as per para 15 (c) in the main text of the document.

17. Following are some of the potential scenarios where it is possible to propose a new CDM project activity on the site of an existing CDM project activity (detailed examples in appendix 2). It may be noted that the list is not exhaustive but only includes examples foreseen at this stage. It also does not constitute at this stage recommendations for which PAs/CPAs are considered continuation/modification of an existing PA/CPA.

Table 1. Results of the detailed scenario analysis.

	Example	Same measure?	Same tech?	Same asset	Same service?	Same input/resource?	Continuation?
1	Wind Power Project on the site of an old Wind power project	yes	yes	No- New turbines replaces old turbines at the end of its technical lifetime.	yes	yes	no
2	A "new landfill" is constructed on top of a closed landfill	yes	yes	yes (site/permit is considered an asset)	yes	yes & No (also new waste)	yes
3	One land fill next to another in the same geographical site/location	yes	yes	yes (site/permit is considered an asset)	yes	yes	yes
4	Solar Power project on the site on an old Wind power project (different resources- meeting a new/ different demand)	yes	no	no	yes	no	no
5	CH4 avoidance through selling of Compost (project A); new project (mechanical process to produce refuse-derived fuel (RDF) and its use (same resource)	yes	no	no	yes	yes	No
6	CFLs in a household replaced by LEDs	yes	no	no	yes	yes	no
7	Energy efficiency projects	yes	no	yes and no (old and new)	yes	yes	yes
8	Feed stock switch (eg. Switch from coal to biomass or within biomass types)	yes	no	yes and no (old and new)	yes	no	no/ depends on amount of investment
9	WHR and power generation on an old power plant (Combined cycle power generation on an open cycle power plant)	yes	no	no	yes	no	no
10	Energy efficiency measures applied to an old biomass based power plant	yes	no	yes	yes	yes	yes
11	Wind or solar electricity generation on a closed landfill	no	no	no	yes	no	no

Appendix 2. Detailed scenario analysis

1. To identify under which case project activity may share physical project area with a project activity whose crediting period has expired, several scenarios, but not limited to, are foreseen; It should be noted that this list is neither exhaustive nor an eminent approval or disapproval of the listed types of project activities:

Scenario	Example	Details/ types within the scenario	Key Areas	Level of complexity
Same Technology Same Measure	Wind Power Project on the site of an old Wind power project	<ol style="list-style-type: none"> 1. Installation of completely new equipment-new wind turbines replacing old turbines that have exhausted its technical lifetime. 2. Supplying electricity to the same/different grid 3. Supplying to a new user (e.g. industrial park while project A was supplying to the grid/vice versa) 	<ol style="list-style-type: none"> 1. Baseline : Whether the baseline should be old WEG power and to be adjusted with 2. Leakage³ 3. Clarifications must be mentioned in the corresponding methodologies. 	Low Less likely to be a continuation/ modification

³ The technical lifetime of the previous project A must be validated to be have been completed.

Scenario	Example	Details/ types within the scenario	Key Areas	Level of complexity
Different technology, Same Measure	a. Solar Power project on the site on an old Wind power project (different resources) b. Ch4 avoidance through selling of Compost (project A); new project (mechanical process to produce refuse-derived fuel (RDF) and its use (same resource))	1. Supplying to the same/different grid 2. Supplying to a new user (e.g. industrial park while project A was supplying to the grid/vice versa-meeting a new/ different demand)) 3. No market for compost fertilizers and switching before end of CP, no impact on technical lifetime	1. Baseline: 2. Leakage ⁴ 3. ER to be incremental-difference in efficiency? 4. Clarifications must be mentioned in the corresponding methodologies	Medium- as less likely to be a continuation/expansion if using different resource; leakage needs to be assessed (tech lifetime). Does CP have to be expired before a new project is proposed on the same site?
Different technology, Same Measure	CFLs in a household replaced by LEDs	1. CFLs become standard practice	1. Baseline: CFL to be the baseline. 2. ER calculated based on difference of efficiency 3. Clarifications must be mentioned in the corresponding methodologies	Medium; technical lifetime must have been completed

⁴ The technical lifetime of the previous project A must be validated to be have been completed.

Scenario	Example	Details/ types within the scenario	Key Areas	Level of complexity
Same Technology /measure operating one over another, in the same geographical site /location	A "new landfill" is constructed on top of a closed landfill	<ol style="list-style-type: none"> 1. Completely new equipment 2. Possible sharing of equipment (e.g. flare) 3. Possible sharing of license/permit to operate the LF 4. Possible sharing of overhead costs e.g. manpower, leachate treatment system 	<ol style="list-style-type: none"> 1. Baseline 2. Clarifications must be mentioned in the corresponding methodologies 	Medium- as less likely to be a continuation/ expansion but need to assess additionality if any shared benefits/costs. Require revision of methodology.
Same technology/measure operating next to each other	One land fill next to another in the same geographical site/location	<ol style="list-style-type: none"> 1. Possible sharing of equipment (e.g. flare) 2. Possible sharing of overhead costs e.g. manpower, leachate treatment system 3. Possibility of being considered an expansion? How to differentiate if from expansion 	<ol style="list-style-type: none"> 1. Baseline 2. Clarifications must be mentioned in the corresponding methodologies 	Medium- as less likely to be a continuation/ expansion but
Same technology /measure with improvement or modifications, in the same geographical site/location	Energy efficiency projects		<ol style="list-style-type: none"> 1. Additionality 2. Baseline 	High: could be considered a modification

Scenario	Example	Details/ types within the scenario	Key Areas	Level of complexity
Equipment with same technology/measure (power generation), but with different feed stocks in the same geographical site/location	Feed stock switch	During the first crediting period, energy efficiency measure is under taken on coal based power plant, for the new crediting period instead of fossil fuel, biomass will be used.	1. Additionality 2. Baseline	High: could be considered a modification
Combined cycle power generation on an open cycle power plant	WHR and power generation on an old power plant	1. Possible sharing of equipment (utilities) 2. Possible sharing of overhead costs e.g. manpower	What is the baseline of the new project?	Low except baseline determination
Energy efficiency on a power plant converted for biomass combustion	Energy efficiency measures applied to an old biomass based power plant	1. Possible sharing of equipment (utilities) 2. Possible sharing of overhead costs e.g. manpower	What is the baseline of the new project?	Low except baseline determination
Wind Power /Solar on the site of an old landfill -different technology/different measure	Wind or solar electricity generation on a closed landfill	1. Possible sharing of equipment (transmission lines, transformer station)		Low as it is clearly a new project and not a modification
