

**CDM-SSCWG46-A20**

## Information note

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# Assessing risk of occurrence of negative emission reductions in small-scale component project activities

Version 01.0



**United Nations**  
Framework Convention on  
Climate Change

## COVER NOTE

### 1. Procedural background

1. The Executive Board (hereinafter referred to as the Board) of the clean development mechanism (CDM), at its seventy-eighth meeting, considered a concept note on further work on batched issuance requests for a project activity under a programme of activities (PoAs) and requested the secretariat to work further, as per Option 1,<sup>1</sup> to propose revisions to regulatory documents related to PoAs if possible in conjunction with other revisions to regulatory documents planned to be presented for the consideration of the Board at its seventy-ninth meeting. In this regard, the Board also requested the Methodologies Panel (Meth Panel) and the Small-Scale Working Group (SSC WG) to propose appropriate modifications to the regulatory documents and/or related methodologies to address the issue of negative emission reductions as per Option 1.
2. The Board, at its seventy-ninth meeting, considered an information note from the Meth Panel in relation to potential negative emission reductions in large-scale methodologies in the context of batched issuance requests for a PoA and agreed that if the PoA applies any of the identified large scale methodologies listed in the information note and/or any other methodologies that include specific provisions under the section “project activity under a programme of activities”, a request for issuance for a monitoring period can be submitted only after the CERs have been issued for all CPAs included in the PoA for the previous monitoring period (refer to paragraph 192 of the Project cycle procedure).

### 2. Purpose

3. The purpose of this information note is to inform the Board on the recommendation of SSC WG with respect to the issue of potential negative emission reductions from the application of small scale methodologies in PoAs.

### 3. Key issues and proposed solutions

4. The SSC WG assessed the small scale methodologies for potential negative emission reductions and agreed to recommend to the Board to allow all small scale methodologies

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<sup>1</sup> As contained in annex 11 of the annotated agenda of the seventy-eighth meeting of the Board: “Option 1: Under this option further flexibility with regard to issuance requests shall be limited to those methodologies where negative emission reductions cannot occur or the risk of occurrence of negative emission reductions is very low. The methodologies where the chance of negative emission reductions may be significant are excluded from requesting issuance in batches through specific provisions included in respective methodologies. Under this option, the Meth Panel or the SSC WG will analyse the methodologies and identify those with a high risk of negative emission reductions and their treatment. For the rest of the methodologies, additional flexibility shall be allowed for the submission of issuance requests in batches as long as they cover only one monitoring period and are consecutive, i.e. an issuance request for a subsequent monitoring period of the CPA shall be submitted only after all issuance requests for the previous monitoring periods have been submitted. Under this option, it is proposed that paragraph 186(b) of the PCP be deleted.”

for application to PoAs without any restrictions for applying provisions for batched issuance approved by the Board at its seventy-ninth meeting (EB 79 meeting report, paragraph 43).

**4. Impacts**

5. Proposed recommendation will provide clarity to PoA implementers and simplifies the requirements for component project activities (CPAs) applying small scale methodologies.

**5. Recommendations to the Board**

6. The SSC WG recommends the Board to allow all small-scale methodologies to be eligible for batched issuance as per the provisions approved by the Board at its seventy-ninth meeting.

## 1. Introduction

1. The Executive Board (hereinafter referred to as the Board) of the clean development mechanism (CDM), at its seventy-eighth meeting, considered a concept note on further work on batched issuance requests for a project activity under a programme of activities (PoAs) and requested the secretariat to work further, as per Option 1,<sup>2</sup> to propose revisions to regulatory documents related to PoAs if possible in conjunction with other revisions to regulatory documents planned to be presented for the consideration of the Board at its seventy-ninth meeting. In this regard, the Board also requested the Methodologies Panel (Meth Panel) and the Small-Scale Working Group (SSC WG) to propose appropriate modifications to the regulatory documents and/or related methodologies to address the issue of negative emission reductions as per Option 1.
2. The Board, at its seventy-ninth meeting, considered an information note from the Meth Panel in relation to potential negative emission reductions in large-scale methodologies in the context of batched issuance requests for a PoA and agreed that if the PoA applies any of the identified large scale methodologies listed in the information note and/or any other methodologies that include specific provisions under the section “project activity under a programme of activities”, a request for issuance for a monitoring period can be submitted only after the certified emission reductions (CERs) have been issued for all CPAs included in the PoAs for the previous monitoring period (refer to paragraph 192 of the Project cycle procedure).

## 2. Key issues and proposed solutions

3. The SSC WG assessed the approved small methodologies and noted the below:
  - (a) SSC WG shares the opinion of the Meth Panel that chance of occurrence of negative emission reductions may be very low;
  - (b) Additionally it noted that due to the inherent size of the CPAs applying small scale methodologies, the potential negative emission reductions may also be small if at all they do occur;

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<sup>2</sup> As contained in annex 11 of the annotated agenda of the seventy-eighth meeting of the Board: “Option 1: Under this option further flexibility with regard to issuance requests shall be limited to those methodologies where negative emission reductions cannot occur or the risk of occurrence of negative emission reductions is very low. The methodologies where the chance of negative emission reductions may be significant are excluded from requesting issuance in batches through specific provisions included in respective methodologies. Under this option, the Methodologies Panel or the Small-Scale Working Group will analyse the methodologies and identify those with a high risk of negative emission reductions and their treatment. For the rest of the methodologies, additional flexibility shall be allowed for the submission of issuance requests in batches as long as they cover only one monitoring period and are consecutive, i.e. an issuance request for a subsequent monitoring period of the CPA shall be submitted only after all issuance requests for the previous monitoring periods have been submitted. Under this option, it is proposed that paragraph 186(b) of the PCP be deleted.”

- (c) Furthermore the modalities and procedures of small-scale CDM envisaged reduction of transaction costs through simplification of requirements for the project cycle and methodologies. In this regard the CMP and the Board have consistently required simplification of methodologies to reduce transaction costs. Although a number of measures have been implemented by the Board, it should be noted that stakeholders perceive that there are further opportunities for simplification. The SSC WG is of the opinion that inclusion of additional requirements in small-scale methodologies to address the issue of potential negative emissions reductions (in a manner consistent with the approach used for the large scale methodologies) may result in additional transaction costs particularly to those related to validation and verification;
- (d) Although the measures applied to large-scale methodologies impacted very few methodologies used in PoAs, if a similar approach is applied to small-scale methodologies, it would result in exclusion of a number of highly used methodologies from application of simplified PoA rules for requesting issuance in batches(see table 1 below for details). The SSC WG is of the opinion that such measures are not commensurate with the perceived risks;
- (e) The SSC WG noted the following further points with regard to the issues considered in assessing large scale methodologies:
  - (i) Use of biomass residues: the assessment of alternative biomass usage to identify and account for leakages is required to be done ex ante in small-scale methodologies (as per paragraph 18 of the “General guidance on leakage in biomass project activities, version 3”), hence minimising the risk of leakage occurrence during the project activity. In addition, although an unlikely situation to occur frequently, project emissions could become higher during the crediting period due to unforeseen situations (e.g. due to reduced availability of biomass during the facility operation and use fossil fuel). There are requirements in place for the CPAs to compensate the negative emission reductions before a request for issuance for the CPA is made, e.g. the issuance request for a CPA has to be undertaken in a consecutive manner;
  - (ii) Leakage emissions from anaerobic decay of organic matter occurring outside the project boundary: this risk is addressed in SSC methodologies through requirements ensuring that biomass is not disposed in anaerobic manner i.e. the soil application site of treated biomass is included in the project boundary and are monitored to ensure aerobic conditions;
  - (iii) Leakage due to an inadequate reserve margin in the exporting electricity system: this situation is not identified in any of the small scale methodologies;
  - (iv) High project emissions due to poor operation of the facility or reduced baseline emissions due to autonomous improvement in performance: where needed, SSC methodologies address the issue on a methodology-specific basis. For example, AMS-I.I. for biogas digesters requires that

project equipments (e.g. biogas digesters and/or cook stoves) are designed, constructed and operated to the requirements of a relevant national or international standard or comparable literature. Autonomous improvement is also factored into determination of baseline emissions. For example, a factor of 0.99 is given to reflect the technology improvement in AMS-III.C. for electric vehicle projects. Considering the fact that baseline in most small scale methodologies is predefined and determined conservatively, it can be considered that any potential occurrence of negative emission reductions have been attended to and thus can be neglected;

- (f) Nevertheless, a list of SSC methodologies was identified by the SSC WG (as in Table 1 below) by considering the issues discussed in paragraph 5 above. It was found that nearly 22 PoAs in the CDM PoA pipeline are applying these methodologies (in comparison the impacted large scale PoAs are less than three). Furthermore, it can also be seen that most of the 22 PoAs are applying AMS-I.C., AMS-I.D. and AMS-III.F., which are also widely used methodologies in normal CDM projects and negative emission reductions has never been found to be an issue therein for a methodological reason (e.g. during the validation, registration, verification or issuance for projects).

**Table 1. SSC methodologies applied in PoAs with potential for accrual of negative emission reductions**

	SSC methodologies	Registered PoA	PoA at validation	Total
AMS-I.C.	Thermal energy production with or without electricity (only biomass energy generation considered)	1 PoA (32 CPA, biomass briquettes and rice husk) 1 PoA (1 CPA)	4 PoA (1 CPA each, agricultural/forest residue)	6
AMS-I.D.	Grid connected renewable electricity generation (only biomass energy generation considered)	1 PoA (1 CPA)	3 PoA (1 CPA each, agricultural/forest residue)	4
AMS-I.H.	Biodiesel production and use for energy generation in stationary applications	0	0	0
AMS-I.G.	Plant oil production and use for energy generation in stationary applications	0	0	0
AMS-I.L.	Electrification of rural communities using renewable energy	1 PoA (1 CPA, rice husk)	0	1
AMS-III.AK.	Biodiesel production and use for transport applications	0	0	0
AMS-III.T.	Plant oil production and use for transport applications	0	0	0

	<b>SSC methodologies</b>	<b>Registered PoA</b>	<b>PoA at validation</b>	<b>Total</b>
AMS-III.E.	Avoidance of methane production from decay of biomass through controlled combustion, gasification or mechanical/thermal treatment	0	0	0
AMS-III.F.	Avoidance of methane emissions through composting	1 PoA (9 CPA) 1 PoA (2 CPA) 6 PoA (1 CPA each)	1 PoA (1 CPA) 1 PoA (1 CPA)	10
AMS-III.AX.	Methane oxidation layer (MOL) for solid waste disposal sites		1PoA (1 CPA)	1
AMS-III.AN.	Fossil fuel switch in existing manufacturing industries	0	0	0
AMS-III.AM.	Fossil fuel switch in a cogeneration/trigeneration system	0	0	0

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### Document information

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