

**CDM-EB106-AA-A08**

## Concept note

---

# Revision of the regulatory provisions on standardized baselines

Version 01.0



**United Nations**  
Framework Convention on  
Climate Change

<b>TABLE OF CONTENTS</b>	<b>Page</b>
<b>1. PROCEDURAL BACKGROUND.....</b>	<b>3</b>
<b>2. PURPOSE .....</b>	<b>3</b>
<b>3. KEY ISSUES AND PROPOSED SOLUTIONS .....</b>	<b>3</b>
3.1. Lack of update of standardized baselines on time .....	3
3.2. Consideration .....	5
3.3. Proposed solution.....	5
<b>4. IMPACTS.....</b>	<b>6</b>
<b>5. SUBSEQUENT WORK AND TIMELINES.....</b>	<b>7</b>
<b>6. RECOMMENDATIONS TO THE BOARD .....</b>	<b>7</b>

## **1. Procedural background**

1. Pursuant to decision 3/CMP.6, section V, and subsequent decisions of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol, the Executive Board of the clean development mechanism (CDM) (hereinafter referred to as the Board) established and has been improving a process to develop, revise, update and use of standardized baselines (SBs) for CDM project activities and programmes of activities (PoAs).
2. The Board, at its 105<sup>th</sup> meeting, considered new information regarding the utilization of SBs. The Board agreed that an assessment is required with regard to potential gaps in the adequacy of current limitations in the validity of SBs for grid emission factors that are mandatory to use in the countries or regions. The Board requested the Methodologies Panel (MP) to propose solutions for the consideration of the Board at a future meeting.
3. Based on the request from the Board, the MP, at its 81<sup>st</sup> meeting, considered specific SBs whose use is mandatory but their validity expired and made a recommendations to the Board.<sup>1</sup> With regard to the relevant rules in general, the MP did not make a specific recommendation as it is a general policy issue rather than a technical one. However, it encouraged the secretariat to present the issue to the Board.

## **2. Purpose**

4. The purpose of this work is to address the practical problems in the use of SBs that have emerged in part due to the existing provisions. It will complement the work of the MP referred to in paragraph 2 above.

## **3. Key issues and proposed solutions**

### **3.1. Lack of update of standardized baselines on time**

5. In accordance with the “Procedure: Development, revision, clarification and update of standardized baselines” (SB procedure), SBs are to be updated regularly to reflect the latest situation of the sector in the country/region in question. In accordance with the “Standard: Determining coverage of data and validity of standardized baselines” (SB data standard), a version of an SB is valid for three years by default, but could be shorter or longer depending on various factors (e.g. sector growth).
6. In accordance with the SB procedure, the update of an SB needs to be initiated by the designated national authority (DNA) (or by any person/entity through the DNA) by submitting a proposed updated SB to the secretariat. The SB procedure requires a proposed updated SB to be submitted within 270 to 180 days prior to the expiry of the current version. Such submission time frame appears to ensure that the updated SB is ready for use after undergoing the approval process when the current version expires. Such assumption is supported by the fact that the SB procedure also states that the updated SB comes into force immediately after the expiry of the validity of the previous version.

---

<sup>1</sup> MP 81 report, paragraphs 15 and 16.

7. However, the SB procedure is silent on the consequence if the submission of a proposed updated SB is delayed. Also, even if the submission is made within the specified time frame, the approval by the Board may not be in time before the expiry of the current version of the SB due to various reasons during the assessment process of the proposed updated SB. Furthermore, in many instances, DNAs do not appear to be equipped or motivated to submit proposed updated SBs. Consequently, many SBs (32 of 46 approved SBs) have expired their validity without being updated, and in one case the update was delayed by 19 months after the previous version had expired. The latter case led to a situation where the updated SB was approved as a new SB with a gap period in two versions of effectively the same SB.
8. The lack of valid version of SBs on a continuous basis is conflicting with the assumption of the rules in the “CDM project standard for project activities” (PS-PA), paragraphs 262 and 263, which require, for a registered CDM project activity that applied an SB that standardizes baseline emissions, the following:
  - (a) For the first crediting period:
    - (i) Compare the valid versions of the SB on the first day and the last day of the first monitoring period, and apply the more conservative version for that period;
    - (ii) For the subsequent monitoring periods:
      - a. Apply the same version of the SB if it is a constant SB and does not require an ex post application, or if it is a dynamic SB;
      - b. Apply the latest version of the SB on the first day of each monitoring period if the SB is a constant SB that requires ex post application of standardized values;
  - (b) For the second and third crediting periods:
    - (i) Compare the valid versions of the SB at the time of submission of request for renewal of crediting period and on the first day of the first monitoring period, and apply the more conservative version for that period;
    - (ii) For the subsequent monitoring periods, apply the same rule as subparagraph (a)(ii) above.
9. The current PS-PA is silent on what value to be used if there is no valid version of the applied SB at the time of monitoring. To date, six project activities have been registered applying an SB that standardizes baseline emissions.<sup>2</sup>
10. The same rules apply to component project activities (CPAs) under a registered CDM PoA. To date, two PoAs have been registered applying an SB that standardizes baseline emissions, which have included 12 CPAs.

---

<sup>2</sup> The lack of a valid version of SBs on a continuous basis would also have an implication on the registered project activities that applied an SB where the use of the SB is mandatory as specified in the SB and in accordance with the PS-PA. Currently two SBs fall under this category. However, both of these SBs are the type of SBs referred to in paragraph 8, hence the implications are already covered by this concept note and there are no additional implications.

### 3.2. Consideration

11. It is not feasible to expect, encourage or force DNAs to continue submitting proposed updated SBs on time as it would require resources and time for DNAs. If the actual or potential number of CDM activities in the sector in the country/region that may apply a particular SB is small, the continual updating of SB may not be needed in the first place. Therefore, it is unavoidable to continue to face a situation where, for some SBs, updating is delayed, creating a gap in the validity between the two versions, or there is no update at all and no valid version anytime in the future.
12. The current rules appear to ensure the application of conservative parameter values as much as possible. However, for the project activities and PoAs registered with an SB, the lack of a valid SB at the time of monitoring would make it impossible for the project participants or coordinating/managing entities to follow the current rules. On the other hand, the length of any monitoring period is at the discretion of the project participants; therefore, the availability of a valid SB and the version of SB to compare can be artificially controlled by the project participants or coordinating/managing entities. Nevertheless, since updating SBs is not within the responsibility or control of individual project participants or coordinating/managing entities, a possible solution should be made that is the least burdensome for them.
13. Furthermore, the current rules referred to in paragraph 8 above are not consistent with the requirements in the relevant methodological tools and SBs, which provide for upfront options of ex ante and ex post determination of parameter values; if the ex ante option is chosen, the values are valid until the end of the same crediting period.<sup>3</sup> These inconsistencies need to be resolved.
14. In addition, there is currently no SB that standardizes baseline emissions and that requires ex post application of standardized value referred to in paragraph 8(a)(ii)b above. It is not clear whether such SBs will ever be developed.

### 3.3. Proposed solution

15. Based on the consideration described in the previous subsection, it is proposed that the current rules be revised as follows:
  - (a) Clarify that there may be a gap period between the two versions of the same SB if the submission of proposed updated SB is delayed or the Board's approval of updated SB is delayed;

---

<sup>3</sup> For example, ASB0039-2018: Grid emission factor for Mongolia's national electricity grid states:

3. Clean development mechanism (CDM) project activities and programmes of activities (hereinafter referred as project activities) can apply this standardized baseline under the following conditions:
  - (a) The project activity is implemented in Mongolia and is connected to Mongolia's national electricity grid;
  - (b) The CDM approved methodology that is applied to the project activity requires the determination of CO<sub>2</sub> emission factor(s) through the application of the grid tool;
  - (c) The project activity uses the ex ante options for both the operating margin and build margin grid emission factors, as described in the grid tool, and therefore no monitoring or recalculation of the emission factor during the crediting period is required.

- (b) Clarify the implications of expiry or the gap period in the validity of an SB in the following manner:
- (i) For a registered CDM project activity that chose at registration the ex ante option to determine baseline emissions or parameter values and applied a valid SB for this purpose,<sup>4</sup> it may apply the same version of the SB for the purpose of monitoring until the end of the first crediting period irrespective of whether the applied version of the SB expires or is updated with or without a gap period in the validity after registration;
  - (ii) For a registered CDM project activity that chose at registration the ex post option to determine baseline emissions or parameter values at regular intervals as per the applied methodology or methodological tool (normally every year), it may at any time switch to a valid SB during the first crediting period and apply the version of the SB for the purpose of monitoring until the end of the first crediting period<sup>5</sup> irrespective of whether the applied version of the SB expires or is updated with or without a gap period in the validity after the switch. Such switch shall undergo the post-registration approval process;
  - (iii) At each renewal of crediting period, a registered CDM project activity may choose the ex ante or ex post option<sup>6</sup> and follow the same rules in terms of the use and validity of SBs as in subparagraphs (i) and (ii) above;
  - (iv) The same rules referred to in subparagraphs (i)–(iii) above shall apply to CPAs. In this context, if a CPA is to apply an SB, the CPA shall apply the valid version at the time of inclusion, renewal of crediting period or switch from the ex post to ex ante option during a crediting period. The PoA, through its generic CPA, shall not fix the version of an SB to be applied for inclusion, renewal of crediting period or switch from the ex post to ex ante option during the PoA period.

## 4. Impacts

16. The proposed changes to the current rules on SBs would resolve the conflict of the underlying assumptions of the existing rules and the reality, thereby addressing the practical issues that some registered CDM project activities and PoAs that applied SBs are currently facing.

---

<sup>4</sup> The project activities that apply the SBs for which the use is mandatory automatically fall under this category.

<sup>5</sup> Switching from the ex post to ex ante option during a crediting period is already allowed as clarified by the MP and approved by the Board at EB 102 (AM\_CLA\_0280: Clarifications on updating DATEBaselineRetrofit of ACM0002 and on changing the grid emission factor calculation approach from ex post to ex ante) < <https://cdm.unfccc.int/methodologies/PAMethodologies/clarifications/69901>>.

<sup>6</sup> Switching from the ex post to ex ante option at the time of renewal of crediting period is already allowed as clarified by the same clarification referred to in footnote 5 above.

## 5. Subsequent work and timelines

17. If the Board agrees to change the current rules on SBs, the secretariat will prepare a draft revision of the relevant regulatory documents to reflect the changes and present them to the Board at EB 107.

## 6. Recommendations to the Board

18. The secretariat recommends that the Board consider the proposed solution presented in section 3.3 above and provide guidance to the secretariat on the revision of the relevant regulatory documents and request the MP to revise the affected methodologies, methodological tools and SBs under the top-down revision process.

- - - - -

### Document information

---

<i>Version</i>	<i>Date</i>	<i>Description</i>
01.0	27 April 2020	Published as an annex to the annotated agenda of EB 106.

---

Decision Class: Regulatory  
Document Type: Information note  
Business Function: methodology  
Keywords: management of official documentation, standardized baselines, timelines, update of standardized baseline

---