

Agenda item 4.1.

Paragraph 26 of the annotated agenda, Annex 8

Revision of the regulatory provisions on standardized baselines

CDM EB 106

Virtual meeting, 11 – 13 May and 27 – 29 May 2020



Procedural background

- The Board, at EB105, considered new information regarding the utilization of standardized baselines (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.
- The MP, at MP 81, considered specific SBs whose use is mandatory but their validity expired and made a recommendations to the Board.
- Relevant rules in general - a general policy issue rather than a technical one.



Purpose

- To address the practical problems in the use of SBs that have emerged in part due to the existing provisions.
- To complement the work of the MP on recommendations on specific SBs

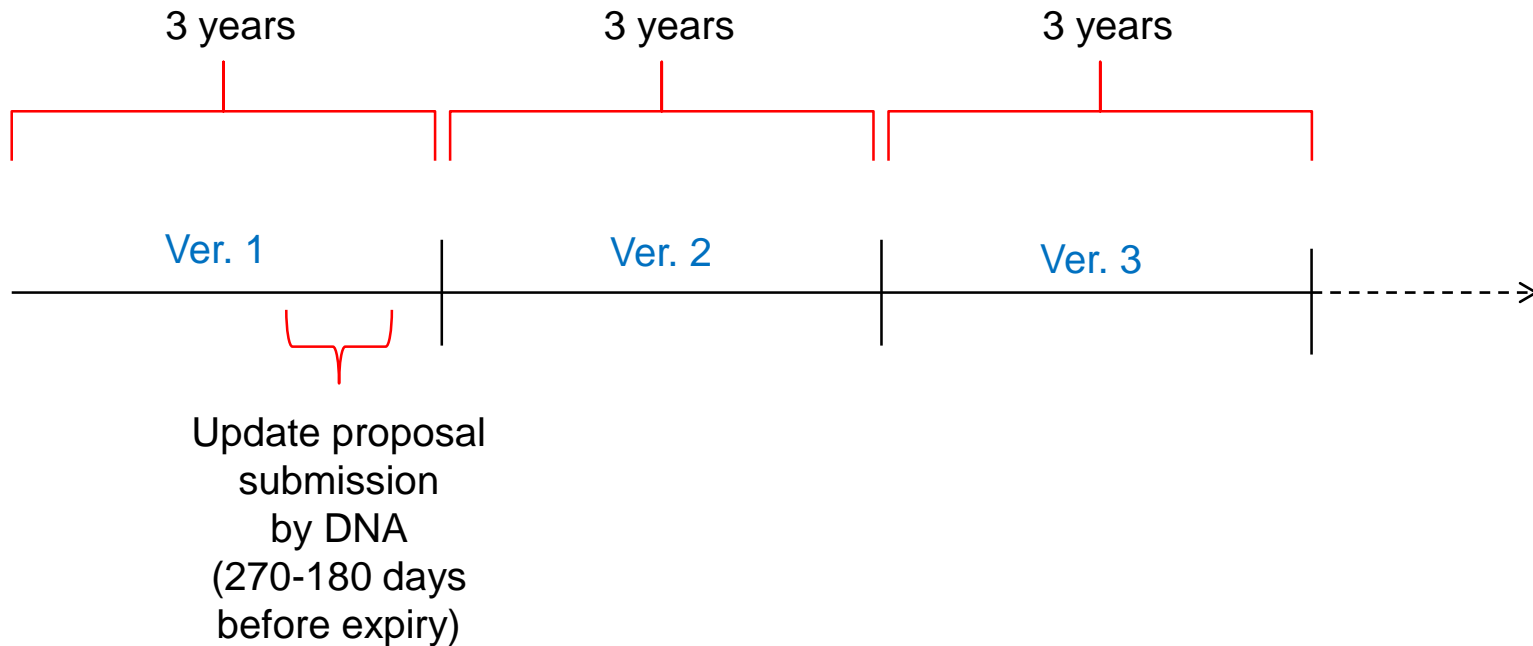


Lack of update of standardized baselines on time

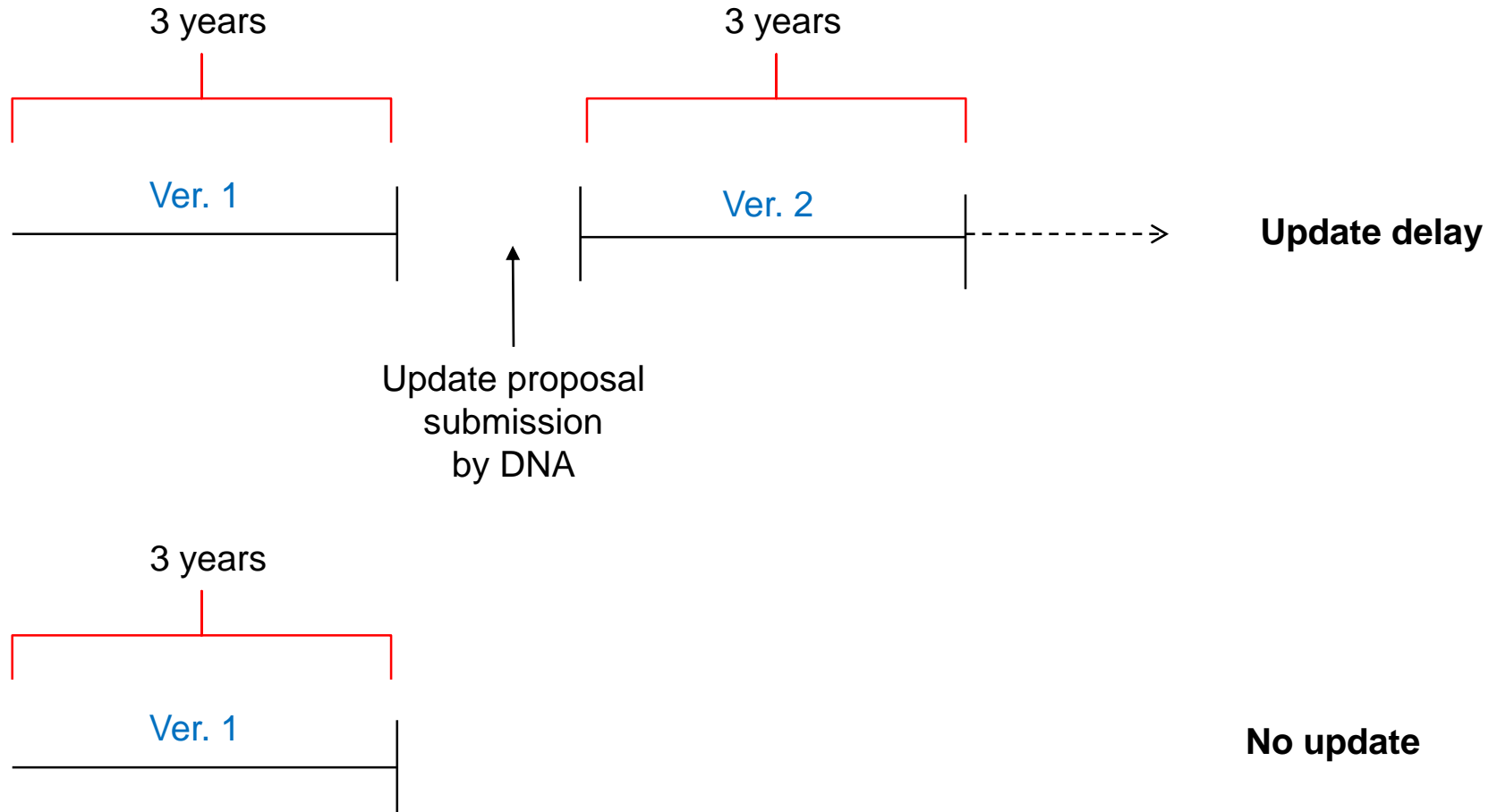
- SBs are to be updated regularly as per the SB procedure to reflect the latest situations of the sector in the country
- Every 3 years by default (can be longer or shorter)
- DNA to initiate the process
- Submission window of updates: 270–180 days prior to the expiry of the current version
- Assumptions: SBs are always updated in time without a gap
- SB procedure is silent on the consequence of delay or approval of updated SBs
- DNAs are not always equipped or motivated to submit proposed updated SBs



Update of standardized baselines – Process/Assumption



Update of standardized baselines – What if?



As a consequence...

- Many SBs (32 of 46 approved SBs) have expired their validity without being updated
- One SB was updated with 19-month delay – **the case the MP made a recommendation on**



Conflict with requirements on application of SBs that standardizes baseline emissions

- PS-PA, paras 262–263 require:
 - 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:
 - 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;
 - 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)

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Key issues and proposed solutions

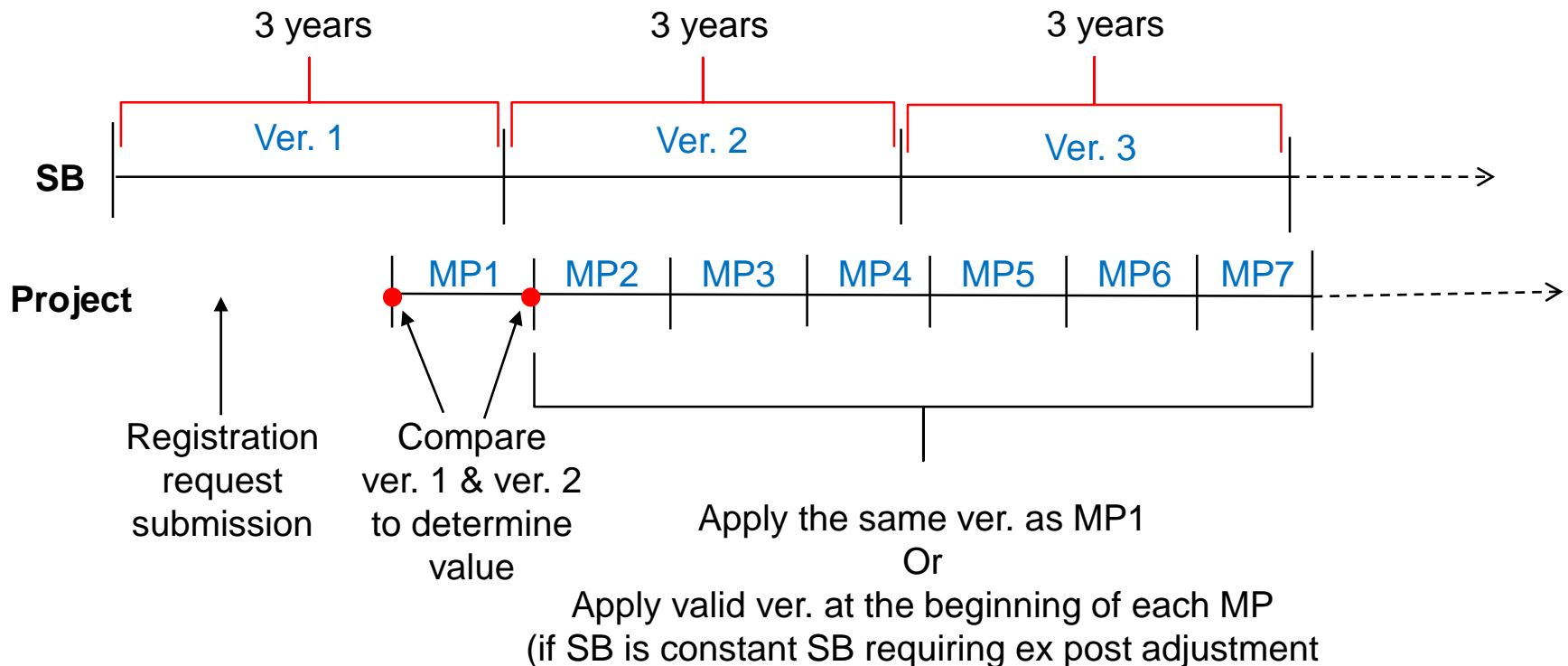
- b) For the second and third crediting periods:
 - i. Compare the valid versions of the SB at the time of submission of request for renewal of crediting period and on the first day of the first monitoring period, and apply the more conservative version for that period;
 - ii. For the subsequent monitoring periods, apply the same rule as subparagraph (a)(ii) above.
- The SB procedure says the updated version of SB starts immediately after the expiry of the previous version
- 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, 6 project activities and 2 PoAs (containing 12 CPAs) have been registered applying an SB that standardizes baseline emissions.



Key issues and proposed solutions

Application of valid SB (PS-PA, paras 262-263) – 1st crediting period

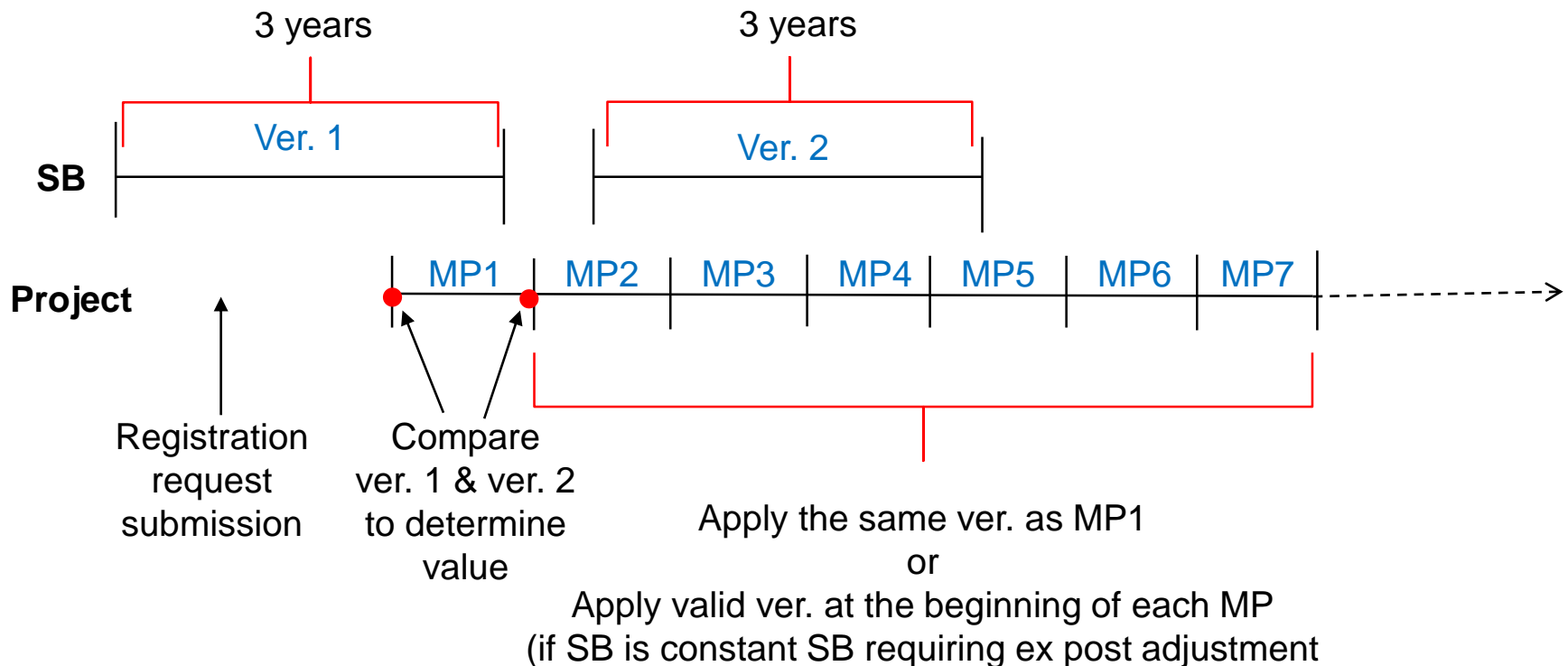
For projects activities registered with an SB that standardizes baseline emissions



Key issues and proposed solutions

Application of valid SB (PS-PA, paras 262-263) – What if?

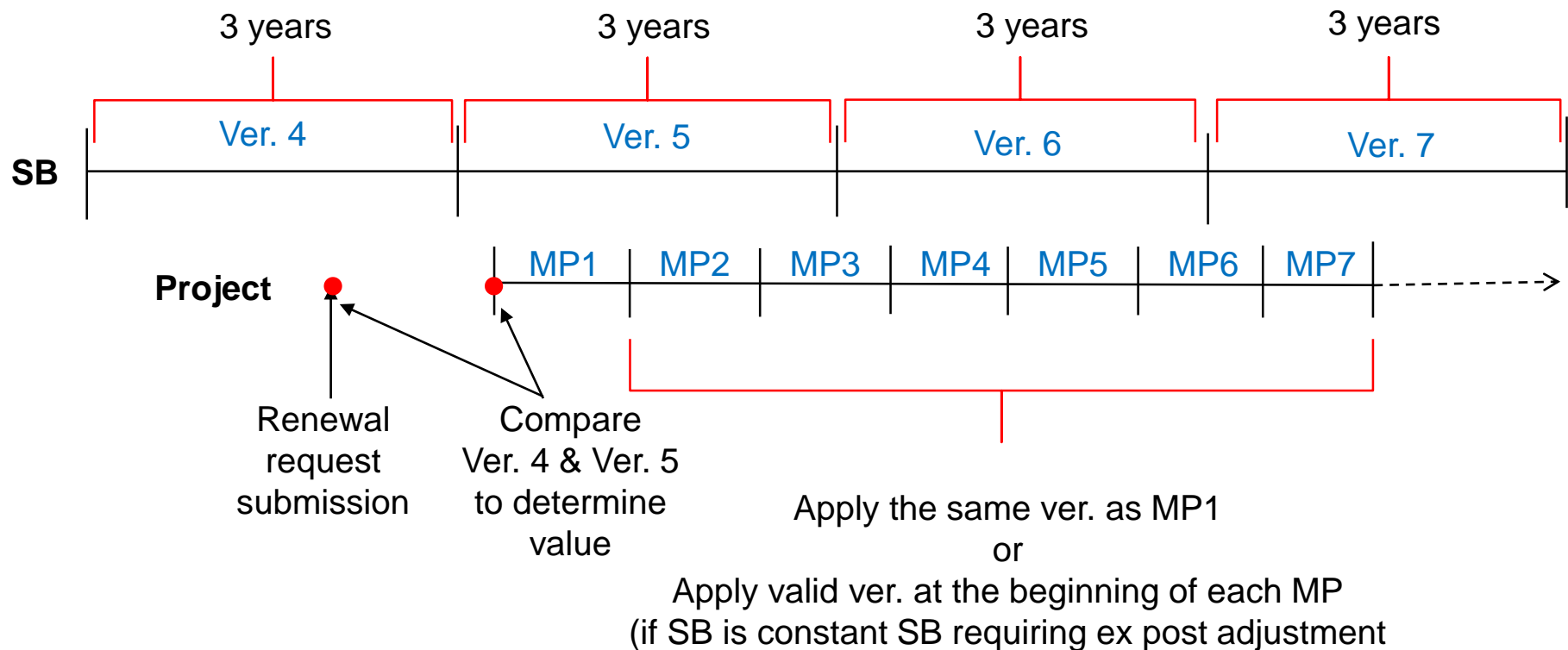
For projects activities registered with an SB that standardizes baseline emissions



Key issues and proposed solutions

Application of valid SB (PS-PA, paras 262-263) – 2nd/3rd crediting period

For projects activities registered with an SB that standardizes baseline emissions



Consideration

- Not feasible to assume DNAs to continue submitting proposed updated SBs on time
- Unavoidable to have a time gap in the validity between the two versions, or there is no update at all
- Lack of valid SB makes it impossible to follow the current rules
- Even if a valid SB exists, the comparison of valid versions of SBs for the first monitoring period depends on the length of the monitoring period, which can be completely at the discretion
- Lack of valid SB is not the fault of PPs/CMEs of the activities registered with an SB → solutions need to be provided



Consideration (cont.)

- Contradiction of PS-PA paras 262–263 with relevant methodological tools and SBs
 - Tools and SBs 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 (e.g. ASB0039-2018)
- No SB currently exists that standardizes baseline emissions and that requires ex post application of standardized value



Proposed solutions

- a) Clarify that there may be a gap period between the two versions of the same SB
- b) Clarify the implications of expiry or the gap period:
 - If ex ante option is chosen to determine baseline emissions or parameter values and applied a valid SB for this purpose, the same version of the SB may be applied until the end of the first crediting period;
 - If ex post option is chosen to determine baseline emissions or parameter values at regular intervals, it may at any time switch to a valid SB during the first crediting period and apply the same version of the SB until the end of the first crediting period. Such switch shall undergo the post-registration change approval.



Proposed solution (cont.)

- At each renewal of crediting period, a registered CDM project activity may choose the ex ante or ex post option and follow the same rules as above;
- Apply the same rules 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 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



Impacts

- Resolve the conflict of the underlying assumptions of the existing rules on the application of valid SBs and the reality → address the practical issues that some registered CDM project activities and PoAs that applied SBs are currently facing



Subsequent work and timelines

- The secretariat will prepare draft revision of the relevant regulatory documents to reflect the changes and present them to the Board at EB 107.



Recommendations to the Board

- The secretariat recommends that the Board:
 - Consider the proposed solutions presented and provide guidance 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

