

Name of submitter: Anja Kollmuss

Affiliated organization of the submitter (if any): CDM Watch

Contact email of submitter: anja.kollmuss@cdm-watch.org

Date: 11 October 2012

0	1	2	3	4	5	6
#	Para No./ Annex / Figure / Table	Line Number	Type of input ge = general te = technical ed = editorial	Comment (including justification for change)	Proposed change (including proposed text)	Assessment of comment (to be completed by UNFCCC secretariat)

Call for public inputs – Template for inputs

Document: “Concept note on impact of update of standardized baselines on CDM projects”

0	1	2	3	4	5	6
#	Para No./ Annex / Figure / Table	Line Number	Type of input  ge = general te = technical ed = editorial	Comment  (including justification for change)	Proposed change  (including proposed text)	Assessment of comment  (to be completed by UNFCCC secretariat)
1	Entire document		ge / te	<p>The document rightly highlights that the pace of change or innovation is different among sectors and that different rules may apply, depending on the “pace of evolution” of technologies. In addition to the “pace of evolution”, there are a number of other factors that impact the choice and which would be useful to discuss and consider in an updated draft of the concept note.</p> <p>1) An important aspect is the <u>vintage of data</u>. The data vintage depends also on the sector involved. In many cases, relevant data becomes only available with a vintage of 1 or 2 years. Developing and approving a standardized baseline takes another year. Once the standardized baseline is approved projects can undertake validation and request registration. This may take another year. In conclusion, once a standardized baseline is used to assess additionality and quantify the baseline emissions, the underlying data may already be 3 to 4 years old. If the standardized baseline is valid for three years, this amounts up to 6 to 7 years of data vintage.</p> <p>2) In some sectors, projects require considerable <u>lead times</u> until they start commercial operation. For example, in the case of large industrial facilities in sectors such as electricity, cement, iron and steel, the time from the feasibility study where the design and technology are fixed to the start of commercial operation of a plant can take 3 to 10 years. For example, in the analysis by the Methodologies Panel on ACM0013 an average lead time of about 7 years for new coal power plants was observed based on information provided in PDDs. If data on commercially operating plants is used to derive the standardized baseline, this could add several years to the data vintage above.</p> <p>The two effects together the standardized baseline is established on data that is based on investment decisions that were made 6 to 17 years in the past (assuming an update of the standardized baseline after three years). Under such circumstances it is questionable if the derived standardized baseline is actually reflecting reasonably well what is happening under business as usual scenarios in the sector.</p> <p>The question of updating the standardized baseline is therefore closely related to the vintage of data used and the lead times between the choice of technology and the start of commercial operation of the plants in the sector.</p> <p>Next to the question of how frequently a standardized baseline should be updated, it is therefore important to consider how issues with the vintage of data and lead times can be addressed (e.g. by considering plants that are under construction or by extrapolating past trends). This may require a revision of the “Guidelines for the establishment of sector specific standardized baselines”.</p>	<p>The careful evaluation of the effects of <u>data vintage</u> and <u>lead times</u> between the decision about the type of technology and the start of commercial operation of the technology must be incorporated in an updated draft of the concept note.</p>	

Call for public inputs – Template for inputs

Document: “Concept note on impact of update of standardized baselines on CDM projects”

0	1	2	3	4	5	6
#	Para No./ Annex / Figure / Table	Line Number	Type of input <i>ge</i> = general <i>te</i> = technical <i>ed</i> = editorial	Comment (including justification for change)	Proposed change (including proposed text)	Assessment of comment (to be completed by UNFCCC secretariat)
2	9		te	<p>It is not clear how the update of a standardized baseline should match with the renewal of crediting periods. One standardized baseline could potentially be used by many projects which are registered at different points in time. This implies that an update of the standardized baseline would differently impact projects, depending on when they were registered. This is illustrated with the following example:</p> <p>A standardized baseline is approved in 2013 and valid for the years 2013 to 2020 (seven years). A project registered in 2014 would request for renewal of the crediting period in 2021 and would thus use an updated standardized baseline. In this case, the two periods would match. However, a project registered in 2019 could then use the standardized baseline approved in 2013 for 7 or 10 years (i.e. up to 2029). In this case, the update of the standardized baseline would not match with the renewal of the crediting.</p> <p>Considering the data vintage and lead time issues highlighted above, this could imply in an extreme case that the basis for calculating emission reduction in 2029 is based on an emission factor that was derived from plants for which the technology choice / investment decision was made in the late 1990s or early 2000s – i.e. about 30 years ago.</p> <p>The example illustrates that a relatively frequent update of standardized baselines is important to avoid the use of outdated data.</p>	<p>Illustrate in the concept note – possibly using examples – how different frequencies of updating the standardized baseline would impact the calculation of emission reductions and the additionality of projects.</p> <p>Standardized baselines should be updated relatively frequently to reduce the risk of using outdated data for the registration of projects or at the renewal of the crediting period.</p>	

Call for public inputs – Template for inputs

Document: “Concept note on impact of update of standardized baselines on CDM projects”

0	1	2	3	4	5	6
#	Para No./ Annex / Figure / Table	Line Number	Type of input  ge = general te = technical ed = editorial	Comment  (including justification for change)	Proposed change  (including proposed text)	Assessment of comment  (to be completed by UNFCCC secretariat)
3			te	<p>Another important question raised in the concept note is whether an update of standardized baselines should impact projects during their crediting period or only at the renewal of the crediting period. The best approach in balancing investor certainty and environmental integrity may again depend on the type of project and sector.</p> <p>It may be useful to highlight in the concept note the current practices under the CDM with examples:</p> <p>1) In some cases the baseline emission factor is fixed for the crediting period (or even all three crediting periods)</p> <p>2) In some cases project participants have the choice to either use a fixed baseline emission factor or to update the baseline emission factor (e.g. grid emission factor tool)</p> <p>3) In some case the baseline emission factor is dynamic and updated annually (no choice for the project participants)</p> <p>It is recommended to follow a similar approach for standardized baselines where depending on the sector and project type, all three approaches could be applied.</p>	<p>CDM Watch recommends to consider the specific circumstances of a sector in the decision whether a standardized baseline emission factor should be dynamic and updated annually or whether it could be constant for a crediting period.</p>	
4			ge	<p>CDM Watch is of the opinion that the “Guidelines for the establishment of sector specific standardized baselines” include a number of approaches which will seriously undermine the environmental integrity of the mechanism. It is difficult to assess the frequency of updates of standardized baselines, as long as these issues are not addressed. CDM Watch recommends to initiate a thorough and comprehensive revision of the “Guidelines for the establishment of sector specific standardized baselines” with close participation of experts on standardized baselines as well as relevant stakeholders.</p>		