

**JI-JISC32-AA-A04**

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**Concept note on the revision of the  
“Guidance on criteria for baseline setting  
and monitoring” to allow positive lists,  
standardized approaches and standardized  
baselines**

Version 01.0



**United Nations**  
Framework Convention on  
Climate Change

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## 1. Procedural background

1. At its eighth session, the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP) adopted decision 6/CMP.8, "Guidance on the implementation of Article 6 of the Kyoto Protocol" (hereinafter referred to as the CMP decision). The CMP, as per paragraph 15 (f) of the CMP decision:

*Agrees, with regard to the review of the joint implementation guidelines, on the following set of key attributes that shall characterize the future operation of joint implementation:*  
*(f) Mandatory requirements for host Parties with respect to the approval of baselines, monitoring and reporting, including clear, transparent and objective requirements for the setting of standardized baselines by host Parties;*

As per paragraph 16 (b):

*Requests the Subsidiary Body for Implementation, in preparing the revised joint implementation guidelines referred to in [paragraph 14 of the CMP decision], to address:*  
*(b) The additionality of joint implementation projects, recognizing such concepts as positive lists of project types that would automatically be deemed additional and prior consideration of joint implementation projects, taking into account, as appropriate, the application of standardized baselines.*

2. The Joint Implementation Supervisory Committee (JISC) at its thirty-first meeting approved its two-year business and management plan including the work on improving the JI project cycle to implement the aforesaid decision of the CMP.
3. The JISC at its thirty-first meeting requested the secretariat to prepare preliminary options, for consideration at its next meeting, on innovative measures relating to baseline-setting and additionality, such as standardized baselines and positive lists (as per paragraph 24(c) of the meeting report).

## 2. Purpose

4. The purpose of this document is to:
  - (a) Summarize key concepts for standardizing of the baseline-setting and additionality demonstration and their impacts on the revision of the “Guidance on criteria for baseline setting and monitoring” (hereinafter referred to as the Guidance);
  - (b) Propose options for consideration by the JISC.

## 3. Key issues and proposed solutions

### 3.1. Standardized baselines

5. A standardized baseline (SB) has been defined by the CMP as a baseline developed for a Party or a group of Parties, on a sub-national, national or group-of-countries basis rather than on a project basis, to facilitate the calculation of greenhouse gas (GHG)

emission reductions and removals by sinks and/or the determination of additionality for clean development mechanism (CDM) project activities or programmes of activities (PoAs).

6. An SB can be established for a Party or a group of Parties for GHG mitigation activities or measures conducted in a sector.
7. Measures are defined as a broad class of GHG emission reduction activities possessing common features.
8. Four types of measures are covered by the SB framework:
  - (a) Fuel and feedstock switch;
  - (b) Switch of technology with or without change of energy source (including energy efficiency improvement);
  - (c) Methane destruction;
  - (d) Methane formation avoidance.
9. SBs can be used to determine the baseline emission factors and positive lists of technologies, for a sector or part of a sector, in a country or a group of countries.

### 3.1.1. Expected benefits for the joint implementation mechanism

10. The use of SBs can potentially reduce transaction costs, enhance transparency, objectivity and predictability, facilitate access to joint implementation (JI), particularly with regard to underrepresented project types, and scale up the abatement of GHG emissions, while ensuring environmental integrity.
11. The impact on cost and objectivities is shown in the table below:

**Table 1. Impact of SBs with respect to present methodological approach**

	<b>Setting standards</b>	<b>Use of standard by project participants</b>	<b>Use of standards by operational entities</b>
<b>Cost</b>	Increased	Decreased	Decreased
<b>Objectivity</b>	No impact	Increased	Increased

### 3.1.2. Impacts on the Guidance

12. According to the Guidance, project participants may use any of the following three options for baseline-setting:
  - (a) An approach for baseline-setting and monitoring developed in accordance with appendix B of the JI guidelines (JI-specific approach); or
  - (b) A methodology for baseline-setting and monitoring approved by the Executive Board of the CDM, including methodologies for small-scale project activities, as appropriate, in accordance with paragraph 4(a) of decision 10/CMP.1, as well as methodologies for afforestation/reforestation project activities; or

- (c) An approach for baseline-setting and monitoring already taken in comparable JI cases.
13. The first option, the JI-specific approach, allows using of a wide range of approaches for baseline-setting. However, the concept of SBs is not explicitly mentioned in the Guidance. Therefore, the JISC may wish to introduce a new (fourth) option for baseline-setting where the possible use of SBs will be provided and requirements for the use of SBs outlined. The following aspects may be considered by the JISC:
- (a) The guidance and procedures that shall be used for development and determination of SBs. Three options are available with this regard:
    - (i) To use the SB regulatory framework existing under the CDM;
    - (ii) To develop an SB regulatory framework for the JI following the principles set for the development of the SB regulatory framework for the CDM;
    - (iii) To develop an SB regulatory framework for the JI based on new principles;
  - (b) The approval procedures for proposed SBs. A proposed SB could be approved either by the JISC or by a host Party;
  - (c) Principles related to the development and use of SBs by new and existing JI projects. The principles for development and use of SBs can be defined at the level of the Guidance or the SB guidelines.
14. The impact of the use of the SB concept on the additionality section of the Guidance is considered in the next section.

### **3.1.3. Standardized baselines regulatory framework**

15. The following elements of a standardized baselines framework would be needed for the implementation of SBs:
- (a) The key element of the SB framework is the Guidelines on how to develop and assess sector-specific SBs. These guidelines are applicable to sectors where project activities are implemented for stationary sources and cover additionality demonstration, baseline scenario identification and baseline emissions determination. They should cover how to:
    - (i) Set the thresholds;
    - (ii) Assess the level of aggregation;
    - (iii) Determine the vintage of data for developing the SBs as well as appropriate frequency of update of the SBs;
  - (b) For some sectors such as afforestation/reforestation or transport, it may be necessary to develop specific guidelines on how to develop SBs. The guidelines for the development of SBs for afforestation/reforestation could provide a framework for development of SBs, including demonstration of additionality and demonstration of land eligibility, for afforestation and reforestation project activities;

- (c) To ensure the quality of the data used for the development of the SBs, guidelines for quality assurance and quality control of data should be part of the framework. These guidelines are applicable to entities involved in the collection, processing, compilation and reporting of data needed for the establishment of sector-specific SBs. They include the quality control procedures for compiling the required datasets and the quality assurance procedures for ensuring the overall quality of the datasets by assessing the conformity and the effectiveness of the quality control system, based on data quality objectives and general provisions;
  - (d) To ensure objectivity of the SBs, it may be useful to develop a database for some parameters such as cost and efficiency of technologies;
  - (e) A standard defining how individual projects could use the SBs should be part of the framework.
16. A procedure for the development, revision, clarification and update of standardized baselines will complete the SB framework.

### **3.2. Positive lists**

17. A positive list is a list of technologies/measures/project activity types that are considered additional and no justification is required during validation/determination.
18. Positive lists can be developed for all countries (global positive list) or for a specific country (local positive list).
19. Global positive lists can be developed by the JISC and be applicable to host Parties that meet the specific requirements. These positive lists should be updated periodically.
20. Local positive lists can be developed by host Parties as a part of SBs as discussed in the section above. These positive lists would be applicable for industries, sectors within host Parties.

#### **3.2.1. Global positive list for CDM project activities**

21. Some specific types of project activities as well as the use of the following technologies have been considered additional within the CDM:
- (a) Grid-connected and off-grid renewable electricity generation technologies:
    - (i) Solar technologies (photovoltaic and solar thermal electricity generation);
    - (ii) Off-shore wind technologies;
    - (iii) Marine technologies (wave, tidal);
    - (iv) Building-integrated wind turbines or household rooftop wind turbines of a size up to 100 kW;
  - (b) Off-grid electricity generation technologies where the individual units do not exceed the thresholds indicated in parentheses with the aggregate project installed capacity not exceeding the 15 MW threshold:
    - (i) Micro/pico-hydro (with power plant size up to 100 kW);

- (ii) Micro/pico-wind turbine (up to 100 kW);
- (iii) Photovoltaic-wind hybrid (up to 100 kW);
- (iv) Geothermal (up to 200 kW);
- (v) Biomass gasification/biogas (up to 100 kW);
- (c) Project activities solely composed of isolated units where the users of the technology/measure are households or communities or small and medium enterprises (SMEs) and where the size of each unit is no larger than 5 per cent of the small-scale CDM thresholds;
- (d) Rural electrification project activities using renewable energy sources in countries with rural electrification rates less than 20%; the most recent available data on the electrification rates shall be used to demonstrate compliance with the 20 per cent threshold. In no case shall data be used if older than three years from the date of commencement of validation of the project activity.

### **3.2.2. Expected benefits to the JI mechanism**

- 22. The use of positive lists can potentially reduce transaction costs, enhance transparency, and predictability.

### **3.2.3. Impacts on the Guidance**

- 23. According to the Guidance, project participants may use any of the following three options for additionality demonstration:
  - (a) Provision of traceable and transparent information showing that the baseline was identified on the basis of conservative assumptions, that the project scenario is not part of the identified baseline scenario and that the project will lead to reductions of anthropogenic emissions by sources or enhancements of net anthropogenic removals by sinks of GHGs;
  - (b) Provision of traceable and transparent information showing that the same approach for additionality demonstration has already been taken in cases for which determination is deemed final and which can be regarded as comparable, using the criteria outlined for baseline determination in paragraph 12 above;
  - (c) Application of the most recent version of the “Tool for the demonstration and assessment of additionality” approved by the CDM Executive Board (allowing for a grace period of eight months when the project design document (PDD) is submitted for publication on the UNFCCC JI website), or any other method for proving additionality approved by the CDM Executive Board.
- 24. The concept of positive lists might be introduced in the revised Guidance as a new option taking into consideration the following:
  - (a) The approval procedures for proposed local positive lists. A proposed local positive list could be approved either by the JISC or by a host Party;
  - (b) If a local positive list is a part of a proposed SB, all impacts on the Guidance outlined in the SB section of this note are applicable here;

- (c) The reference to the possible global positive lists approved by the JISC;
- (d) The reference to the CDM positive list approved by JISC.

### 3.3. Standardized approaches

25. Standardized approaches in the JI mechanism may include:

- (a) Standard algorithm to determine baselines;
- (b) Default emission factors; and
- (c) Benchmark on investment analysis.

26. A standardized approach for baseline determination is outlined in the “Guidelines for determining baselines for measure(s)”. The main objective of these guidelines is to ensure consistency between the different CDM methodologies/project activities with regard to the determination of baselines, by providing standardized approaches to determine the baseline for different investment scenarios defined for a measure(s). These guidelines are to help stakeholders to identify and evaluate the baseline during the development and/or assessment of methodologies. The main outcome from these guidelines is provided in the table below. Similar type of guidelines can be developed for default emission factors and benchmark on investment analysis.

**Table 2. Matrix to determine baseline for a measure(s)**

Cases	Investment scenario and corresponding baseline and baseline emissions			
<b>Investment scenario</b>	IS-1: Would invest in another technology/ fuel/feedstock or continue the expenses in the current practice in the absence of the CDM <i>(For existing, greenfield or capacity expansion projects where there are revenues other than those from CDM).</i>	IS-2: Would not invest and nobody would invest in the absence of the CDM <i>(No revenues other than those from CDM, applicable to GHG destruction project activities).</i>	IS-3: Would not invest but a third Party would invest in the absence of the CDM <i>(For greenfield projects with revenues other than from CDM).</i>	IS-4: Would invest later in the absence of the CDM <i>(Investment in existing facilities/ equipment, no increase in output and baseline equipment has a shorter lifetime than crediting period).</i>



Cases	Investment scenario and corresponding baseline and baseline emissions			
Baseline	Most attractive course of action (technology/fuel/feedstock)	Historical or actual emissions	Benchmark or standardized baseline or most attractive course of action (technology /fuel /feedstock)	Historical or actual + minimum of the benchmark technology and most attractive technology at a future date when the lifetime of the baseline equipment ends.

### 3.3.1. Expected benefits to the JI mechanism

27. The use of baseline standards can potentially reduce PDD development cost, transaction costs, determination time, enhance transparency, and predictability.

### 3.3.2. Impacts on the Guidance

28. The JISC may wish to include the reference to the “Guidelines for determining baselines for measure(s)” as another possible way for baseline-setting under the JI-specific approach option.

## 4. Summary of impacts on the Guidance

29. If the JISC decides to include all proposed elements in the revised Guidance, the changes to the existing Guidance are anticipated as presented in the table below:

**Table 3. Summary of changes to the Guidance**

New elements	The Guidance	
	Baseline setting	Additionality demonstration
<b>Standardized baselines</b>	To introduce another option for baseline-setting where the use of SBs will be allowed and requirements for the use of SBs outlined.	To introduce another option for additionality demonstration where the use of SBs (positive list) will be allowed and requirements for the use of SBs outlined.

New elements	The Guidance	
	Baseline setting	Additionality demonstration
<b>Positive list</b>	N/A	To introduce another option for additionality demonstration where the use of a positive list approved by the JISC (global positive list) will be allowed.
<b>Standardized approaches</b>	To introduce the reference under the JI-specific option for baseline-setting.	N/A

30. Given the regulatory linkage between the Guidance and other JI documents, the revision of the Guidance requires revisions to the relevant sections of the following regulatory documents:
- (a) Joint implementation determination and verification manual;
  - (b) Provisions for joint implementation small-scale projects;
  - (c) Guidelines for users of the joint implementation project design document form;
  - (d) Guidelines for users of the joint implementation project design document form for small-scale projects and the form for submission of bundled joint implementation small-scale projects.

## 5. Recommendations to the JISC

31. The JISC may:
- (a) Consider what recommendations could be made to the ninth session of the CMP, in the context of the review of the JI guidelines, relating to the measures discussed in this concept note and, as appropriate, request the secretariat to draft such recommendations;
  - (b) Consider how work on the measures discussed in this concept note could be progressed in relation to the JI regulatory framework, including the possibility of requesting the secretariat to elaborate the changes in the JI regulatory framework.

## 6. Impacts

32. If the recommendation to the JISC is adopted, the revision of the Guidance could be accomplished assuring consistency with the revised JI guidelines.

## 7. Proposed work and timelines

33. The JISC may wish to consider the following proposed work and timelines relating to the above recommendations:
- (a) Next meeting: draft recommendation to the ninth session of the CMP, in the context of the review of the JI guidelines, relating to the measures discussed in this concept note;
  - (b) Meetings in 2014: draft regulations for the implementation of the measures discussed in this concept note.

## 8. References

34. The elements that are proposed to be incorporated in the revised Guidance may be found at:
- (a) SB regulatory framework and submitted SBs:  
<[http://cdm.unfccc.int/methodologies/standard\\_base/index.html](http://cdm.unfccc.int/methodologies/standard_base/index.html)>;
  - (b) Guidelines on the demonstration of additionality of small-scale project activities:  
<[http://cdm.unfccc.int/Reference/Guidclarif/meth/methSSC\\_guid05.pdf](http://cdm.unfccc.int/Reference/Guidclarif/meth/methSSC_guid05.pdf)>;
  - (c) Guidelines for determining baselines for measure(s):  
<[http://cdm.unfccc.int/Reference/Guidclarif/meth/meth\\_guid50.pdf](http://cdm.unfccc.int/Reference/Guidclarif/meth/meth_guid50.pdf)>

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### Document information

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