CDM: Proposed new methodology - public comment form

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Comments on the proposed new methodology:
Based on an assessment of the draft PDD, evaluate the proposed new baseline and /or monitoring methodologies with respect to the Annexes 3 and 4 of the CDM PDD

New baseline methodology(ies)
*In respect of a new baseline methodology(ies), evaluate each section of **Annex 3 of the CDM-PDD**. Please provide your comments below, also taking into consideration further questions in italics below:*

Section 2. Description of the methodology

Section 2.1. General approach

Is the approach selected the most appropriate (see paragraph 48 of the CDM M&P)?

Section 2.2. Overall description

Adequacy of methodology description

Appropriateness of determining the baseline scenario proposed. Does the baseline scenario reasonably represent the anthropogenic emissions by sources of greenhouse gases that would occur in the absence of the proposed project activity? Explain.

A project can be assumed to either displace marginal dispatch power or to change the timing of new capacity additions. Only relatively small projects will have no effect on the timing of future capacity additions and therefore can be assumed to only displace marginal power. Any methodology that assumes only marginal dispatched power is displaced must define the size of project for which the methodology is appropriate.

Medium and large projects added to a grid would affect when other new power plants will be built. For large and medium projects, an appropriate methodology would use new capacity additions as its baseline. It would assume that if the proposed project is not built, then other projects would be built sooner to meet electricity demand. In changing the timing of new capacity additions medium and large projects would not displace marginal power.

Penas Blancas is comparable in size to most other proposed new plants in Costa Rica, most of which range from 6 to 60 MW (table 7 of the Baseline Study). For a proposed project that is comparable in size to many other proposed plants it is realistic to believe that the project will push back the building of other plants.

The methodology must define the relative plant size to which it can be applied. Plants that are at

least similar in size to many other plants on the grid should not be assumed to displace marginal power but must be assumed to change the timing of new plant generation.

Section 3. Key parameters/assumptions (including emission factors and activity levels) and data sources considered and used:

Reliability, accuracy and adequacy of data required (e.g. your expert judgement on emission factors and activity data used)

Key implicit and explicit assumptions (if any)

a. Identification

b. Acceptability

Transparency

Section 4. Definition of the project boundary related to the baseline methodology:

Coverage of project boundary (adequate?):

a. Gases and sources

b. *Physical delineation*

Section 5. Assessment of uncertainties:

Key implicit and explicit assumptions (if any)

a. Identification

b. Acceptability

Section 6. Description of how the baseline methodology addresses the calculation of baseline emissions and the determination of project additionality:
Please evaluate the proposed new methodology:

"Description of how the anthropogenic emissions of GHG by sources are reduced below those that would have occurred in the absence of the registered CDM project activity *(i.e. explanation of how and why this project is additional and therefore not the baseline scenario)"*

I. This methodology is incompatible with the main purpose of the CDM. The CDM is supposed to be a means of achieving emissions reductions - yet under this methodology it would become mainly a means of subsidizing purportedly clean technologies where these are already being implemented. The Baseline Study says that as costs become a more important consideration in choice of new generation technologies in Costa Rica, a higher proportion of new plants will be thermal power than have been in the past. It does not say that Costa Rica is not planning to build hydroelectric and wind plants. Still the majority of planned plants in the Costa Rican extention plan are hydro and wind (table 7 of the Baseline Study). It says that cost will increasingly become a factor in choice of new generation and so subsidies through CER sales will support the future use of these technologies.

Annex 1 countries have accepted limits on their emissions through the Kyoto Protocol. Through the CDM, an Annex 1 country is allowed to emit more than its committed amount domestically if it reduces emissions elsewhere. That is, while the CDM allows for an Annex 1 country to increase its domestic emissions, the use of the CDM must also facilitate the reduction of emissions in a non-Annex 1 country. Therefore, a project is clearly only additional if the project would not have happened without the CDM. Otherwise the use of the CDM would result in an increase in global emissions and the CERs would not represent real emissions reductions.

With the use of this methodology any new grid-connected hydroelectric or renewable plant in Costa Rica will be able to receive subsidies through the CDM. This would be true regardless of how much renewable energy capacity would have been built without the CDM, and how much additional renewable energy was generated because of the CDM.

The Marrakech Accords name three options for defining the baseline: 48 a, b, and c. The baseline methodology used in Penas Blancas does not assure that the baseline meets any of these. Comparing the proposed baseline against 48(a) – "Existing actual or historical emissions" – existing capacity is 75% hydro. The project does not change the existing situation. Compared against 48(b), the methodology uses a cost-based argument without analyzing the numbers. It merely handwaves, saying that hydro and renewable energy is generally more expensive and therefore could benefit from subsidies. As the baseline study states, 48(c) is not appropriate for this project.

Under this methodology there is no adequate test for why the project itself is not the baseline. SThe proposed methodology thus does not meet necessary standards of assuring that emissions reductions take place and should not be accepted as a valid CDM methodology.

II. As a second point on additionality, we believe that all CDM methodologies should include requirements to test if the project is non-additional. We use the meaning of additionality described above, which we see as incontestable. Namely, a project is additional if would only happen as a CDM project.

There are simple tests that could prove with relative certainty that a project is non-additional.

We propose that the following three tests for non-additionality be added to all new methodologies:

1) Has the project secured full financing prior to being accepted as a CDM project?

2) Has project construction already begun prior to being accepted as a CDM project?

3) Does the project proposal include a reasonable description as to why the project would only go ahead if it were considered a CDM project?

If numbers 1 or 2 are true, or if number 3 is false, then the project would be developed even if it was not a CDM project and must be considered non-additional. Projects that have already been fully financed or which have already begun construction without the CDM are clearly not dependent on the CDM to be built.

Section 7. Description of how the baseline methodology addresses any potential leakage of the project activity:

Section 8. Criteria used in developing the proposed baseline methodology, including an explanation of how the baseline methodology was developed in a transparent and conservative manner:

Section 9. Assessment of strengths and weaknesses of the baseline methodology:

Section 10. Other considerations, such as a description of how national and/or sectoral policies and circumstances have been taken into account:

In addition, please address the following aspects Applicability of methodology across project types and regions
Any other comments
New monitoring methodology(ies)
In respect of new monitoring methodology(ies), evaluate each section of Annex 4. Please provide your comments section by section: We recognize the savings in monitoring costs from using ex-ante ERFs. However, we believe that if ex-ante figures are to be used, there must be some monitoring requirement to make sure that the ERFs used are at least relatively accurate. Such a check can be done relatively inexpensively. If the simple test finds that the ERF used is off by a significant percentage then a more detailed ex-post audit must be done and the ERFs must be revised accordingly. Such an audit must also be performed whenener there is a major change to the grid, such as the SIEPAC project to interconnect Costa Rica's grid with the rest of Central America or significant changes in energy sector laws and regulations which affect dispatch and generation investment decisions..
Please also address the following
Applicability of methodology across project types and regions
Any other comments

Cross-cutting issues	
• Can the presentation of the methodology/ies be further simplified?	
• Should this methodology/ies be considered as new (see paragraph 37 (e) of the CDM M&P)?	
• Comparison with other relevant methodologies	
• Are the methodology/ies rigorous?	
Section below to be filled by UNFCCC secretariat	
Related F-CDM-NM document ID number	
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