

 <p style="text-align: center;">CDM: Proposed new methodology - public comment form (version 03) (Available electronically on the UNFCCC CDM web site. The layout may differ from this hardcopy form)</p>	
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Related F-CDM-NM document ID number	NM-0054
Based on an assessment of the annexes 3 and 4 and their application in sections A to E of the draft CDM PDD, evaluate the proposed new baseline and /or monitoring methodologies.	
A. Comment on the proposed new methodologies:	
I. Comments on the proposed new baseline methodology:	
Title of new baseline methodology:>>Country risk analysis, baseline scenario development, and ex-ante baseline emission rate calculation for a grid-connected project that displaces fossil fuel based power generation from the operation and expansion of the electric sector	
<p>i. Conditions under which this methodology is applicable to other potential projects (e.g. project type, region, data availability):</p> <p>>></p> <p>ii. Strengths and weaknesses of the methodology:</p> <p>>>In sum, the additionality test is not strong enough and the model is not transparent enough. On additionality, 1) there needs to be a stricter test for projects that have already reached an advanced level of development, 2) in addition to showing evidence that the project would not have happened without CERs, evidence must also be provided that it would only happen with CERs, 3) a technology that is “common practice” must refer to the technology itself and not the form of investment, 4) the fact that the project activity is clearly non-additional (it is almost completely constructed but no argument is given as to why it would not happen without the CDM) but passed the methodology indicates serious weaknesses with the additionality test. On the model, 1) adequate data must be publicly available so that the accuracy of the data input into the model can be assessed, 2) each model used must undergo some sort of quality assurance test.</p> <p>iii. Any changes needed to improve the methodology:</p> <p>a. Minor changes:>></p> <p>b. Major changes: >></p>	
II. Comments on the proposed new monitoring methodology:	
Title of new monitoring methodology: >>Methodology for ex post monitoring of electricity generation from the project and its impacts on emissions from the operation and expansion of the electric sector	
<p>i. Conditions under which this methodology is applicable to other potential projects (e.g. project type, region, data availability):</p> <p>>></p>	

- ii. Strengths and weaknesses of the methodology:
 >>Since the additionality test of the associated baseline methodology requires a poor investment climate, the methodology must require relatively frequent tests as to if the barriers to the development of capital intensive electricity projects still exist.
- iii. Any changes needed to improve the methodology:
 - a. Minor changes:>>
 - b. Major changes: >>

B. Details of the comments on the proposed new methodology:

I. Proposed new baseline methodology (*specify title here*): >>

(1) Short description of the methodology, including an assessment of which approach from paragraph 48 of the CDM modalities and procedures was used:

a) Describe the methodology:

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b) State the approach selected:

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c) Indicate (in summary form) why the approach selected is the most appropriate. Please provide your expert judgement on the appropriateness of the selected approach to the project category:

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(2) Basis for determining the baseline scenario:

a) State whether the documentation explains how the baseline scenario is to be chosen and identified:

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b) State the basic underlying rationale for algorithms/formulae used (e.g. marginal vs. average basis) (see also section 4 below):

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c) State whether the documentation explains how, through the use of the methodology, it can be demonstrated that a project activity is additional and therefore not the baseline scenario. If so, what are the tools provided by the project participants?

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d) State whether the basis for determining the baseline scenario and for assessing additionality is appropriate and adequate:

>>There are three main problems with the additionality section of this methodology, especially as it applies to Sibimbe. First, this methodology requires no additional additionality test for a project that has already begun construction, assured full financing, or signed a power purchasing agreement. If any of these conditions apply to the project, additional justification must be required as to why the completion of the project is reliant on CER sales, or why the project would not have gone ahead from the start if it weren't for the CDM.

Construction of Sibimbe began in September 2001 and is now almost complete (www.contacto.com/conapu/paginas/sibimbe.htm). The project has full financing, and in 2001 signed a power purchasing contract with the government. Only extremely unusual circumstances would make a project that has reached one or more of these stages dependent on CER sales for completion. Projects that meet of any of these conditions should be assumed to be non-additional and should be required to present substantial evidence as to how the project really would not have gone ahead without the CDM in order to be considered additional. This should be included in the methodology.

Second, a significant difference between this methodology and NM0023 (El Gallo) is NM0023 step M1(b): "Explain how only the approval and registration of the proposed project as a CDM activity would enable the project to overcome the identified barriers and thus be undertaken." Adding this step would help solve the problem described above. An additionality test must include both sides of the justification, that the project would not go ahead without CERs, and that CERs enable the project to go ahead.

Third, the additionality test requires that the technology is not common practice. "Common practice" must be better defined. The PDD claims that because Sibimbe is built by the private sector, the project is not considered common practice. "Common practice" must be used to mean the technology itself, not the method of financing the technology.

In Ecuador at least 60% of electricity generation capacity on the grid is hydroelectric. The government electricity grid expansion plans include significant amounts of hydro power. 44% of the total new capacity for which concession contracts have been granted in Ecuador is hydropower (www.conelec.gov.ec/).

In any case, private hydropower is very much now "common practice" in Ecuador. Brazilian company Odebrecht began construction in November 2003 on the 230 MW San Francisco hydro plant which is being built on a BOT basis with a guarantee from MIGA (www.eia.doe.gov/emeu/cabs/ecuador.html; www.miga.org/screens/projects/guarant/regions/lac/Norberto.htm). In May 2003, private company Hidropaute S.A. received a concession to build the 180-MW Mazar hydroelectric plant (www.eia.doe.gov/emeu/cabs/ecuador.html). Hidropaute has put out a tender for civil works contractors for Mazar (www.lahora.com.ec/licitaciones.asp?seid=3).

As in most parts of the world, large hydropower development in Ecuador was previously the preserve of the public sector. Ecuador now intends for the private sector to develop future hydros (www.presidencia.gov.ec/noticias.asp?noid=2731). Thus while private hydros were not "common practice" in

the past, they now are. CDM methodologies should reflect current and expected policy environments, not the historical situation.

Since hydropower is common practice, the methodology is not a good match for the project.

Fourth, since the main barrier to the dissemination of capital-intensive energy projects claimed is a poor investment climate in Ecuador, the project would be considered additional only until the investment climate improves. Since investment climate can change in significantly less time than the seven-year CDM period, projects claiming such a barrier must be monitored frequently (such as once a year) and no longer be considered additional once the barriers no longer exist.

In either case, this project is clearly non additional. It uses a common technology, and a technology for which a number of projects are currently being built and planned with investment from the private sector. Further, no justification is given as to why this project which is fully financed and almost complete would only be completed if it were registered as a CDM project, or would only have commenced because of the CDM. Without such a justification (and a convincing justification would be very difficult to come by in this case) it can only be assumed that the project is non-additional. The fact that this non-additional project passes this methodology's additionality tests, is a clear indication that the proposed additionality tests are inadequate.

(3) Assessment of the description of the proposed methodology and its applicability

a) State whether the methodology has been described in an adequate manner:

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b) State whether the proposed methodology is appropriate for the referred proposed project activity and the referred project context (described in Sections A-E of the draft CDM-PDD and submitted along with Annex 3):

>>As mentioned above, this methodology is not a good match for the proposed project activity. The methodology requires that the technology is not common practice, but hydropower in Ecuador is common practice.

c) State whether the application of the methodology could result in a baseline scenario that reasonably represents the anthropogenic emissions by sources of greenhouse gases that would occur in the absence of the proposed project activity.

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I have two significant concerns with the transparency of a model such as used in this baseline methodology. First, the methodology must require that data inputs into the model be included in the PDD so that reviewers can assess the accuracy of that data.

Second, is a concern about the algorithms in the model. Before a model, like the Super/OLADE-BID model, may be used in a CDM PDD, it must pass some sort of quality assurance test. Further, the conditions under which it can be accurately applied should be specified and made public.

Additionally, all baseline methodology for grid connected electricity projects should include the following elements:

- A way to account for net imports of electricity into the grid such as from Ecuador's recent interconnection scheme with Columbia or its transmission line with Peru.
- Step M3(b) from NM0023, or something like it, requiring justifications as to why the baseline is conservative.
- Like NM0023, a specification of data that should be confirmed by the DOE.

Please explain:

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(4) Assessment of algorithms/formulae and type of data needed:

a) State whether the description of the methodology includes algorithms and generic formulae that can be applied to other potential project activities (if not, the proposed new methodology will be considered as a project-specific methodology):

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b) Explain the spatial scope of data used to determine the baseline and whether the scope is appropriate:

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c) Explain the vintage of data used (in relation to the duration of the project crediting period) and whether the vintage of data is appropriate, indicating the period covered by the data:

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(5) Definition of the project boundary related to the baseline methodology:

a) State how the project boundary is defined in terms of:

i) Gases and sources

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ii) Physical delineation

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b) Indicate whether this project boundary is appropriate:

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(6) Key assumptions/parameters (including emission factors and activity levels) and data sources:

a) List the implicit and explicit key assumptions. Identify those, if any, which are problematic and explain:

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b) State whether the key assumptions are arrived at in a transparent manner:

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c) Give your expert judgement on whether the assumptions/parameters are adequate:

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d) Indicate which data sources are used and how the data are obtained (e.g. official statistics, expert judgement):

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e) Give your expert judgement on whether the data used are adequate, consistent, accurate and reliable:

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f) State possible data gaps:

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(7) Assessment of uncertainties:

a) State whether the methodology includes an assessment of uncertainties regarding:

i) The basis for determining the baseline scenario:

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ii) Algorithms/formulae:

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<p>iii) Key assumptions: >></p> <p>iv) Data: >></p> <p>b) State whether the uncertainties presented are reasonable: >></p>
<p>(8) Leakage:</p> <p>a) State how the baseline methodology addresses any potential leakage due to the project activity: >></p> <p>b) Indicate whether the treatment for leakage is appropriate and adequate: >></p>
<p>(9) Transparency and “conservativeness”:</p> <p>a) Indicate whether the baseline methodology was developed in a transparent way: >></p> <p>b) State whether the baseline methodology is conservative: >></p>
<p>(10) Potential strengths and weaknesses of the proposed baseline methodology (please explain): >></p>
<p>(11) Other considerations, such as a description of how national and/or sectoral policies and circumstances have been taken into account (please explain): >></p>
<p>(12) Applicability of the proposed methodology across project types and regions (please indicate): >></p>
<p>(13) Any other comments:</p> <p>a) State whether any other source of information (i.e. other than documentation on this proposed methodology available on the UNFCCC CDM web site) has been used by you in evaluating this methodology. If so, please provide specific references: >></p> <p>b) Indicate any further comments: >></p>
<p>II. Proposed new monitoring methodology (specify title here): >></p>
<p><i>In respect of the proposed new monitoring methodology, evaluate each section of annex 4 to the draft CDM PDD. Please provide your comments section by section:</i></p>
<p>(1) Brief description of new methodology: Describe new methodology: >></p>
<p>(2) Key assumptions/parameters:</p> <p>a) List the implicit and explicit key assumptions. Identify those, if any, which are problematic and explain:</p>

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b) State whether the key assumptions are arrived at in a transparent manner:

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c) Give your expert judgement on whether the assumptions/parameters are adequate:

>>In regard to Section 1 Part II, the additionality test, as mentioned above, the additionality test rests on a single type of barrier – a poor investment climate. Since this barrier is not permanent and can change within relatively short periods of time, the monitoring methodology must test if these barriers still exist relatively frequently.

The monitoring methodology does not clearly state how the emissions factor will be updated. The model should be updated with new data about the grid. If this is too costly, the appropriateness of such a model is a serious concern. A grid can change considerably over a period of 21 years.

(3) Data sources and data quality:

a) Indicate which data sources are used and how the data are obtained (e.g. official statistics, expert judgement):

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b) Give your expert judgement on whether the data used are adequate, consistent, accurate and reliable:

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c) State possible data gaps:

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(4) Assessment of the description of the proposed methodology and its applicability:

a) State whether the proposed methodology has been described in an adequate manner:

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b) State whether the proposed methodology is appropriate for the referred proposed project activity and the referred project context (described in Sections A-E of the draft CDM-PDD and submitted along with annex 4):

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c) State whether this proposed monitoring methodology is compatible with the proposed baseline methodology described in annex 3 of the draft CDM-PDD:

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(5) Leakage (please elaborate, if appropriate):

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(6) Quality assurance and control procedures (please explain):

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(7) Potential strengths and weaknesses of the proposed monitoring methodology (please explain):

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(8) Applicability of the proposed methodology across project types and regions (please indicate):

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(9) Any other comments:

a) State whether any other source of information (i.e. other than documentation on this proposed

<p><i>methodology available on the UNFCCC CDM web site) has been used by you in evaluating this methodology. If so, please provide specific references:</i></p> <p>>></p> <p><i>b) Indicate any further comments:</i></p> <p>>></p>	
<p>Information to be completed by the secretariat</p>	
<p>F-CDM-NMpu doc id number</p>	
<p>Date when the form was received at UNFCCC secretariat</p>	
<p>Date of transmission to the Meth Panel and EB</p>	
<p>Date of posting in the UNFCCC CDM web site</p>	