



Standardized Approaches to Baselines and Additionality

Public Consultation

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What we'll cover in this webinar...

- Need for standardized approaches (why?)
- Development of draft requirements (how?)
- Overview of draft requirements (what?)
- Public consultation process
- Questions and answers

1. Need for standardized approaches

Standardized approaches currently in the VCS
Advantages of performance benchmarks and
positive lists

Why standardized approaches? (1)

- VCS Standard provides three approaches for demonstration of additionality
 - project test
 - performance test
 - technology test
- } Standardized approaches
- VCS Standard does currently not provide any further guidance on performance and technology test approaches
 - Performance benchmarks and positive lists of technologies/measures represent efforts to simplify determination of additionality and/or the crediting baseline
 - Aim is to reduce transaction costs while maintaining environmental integrity

Why standardized approaches? (2)

- Performance benchmarks are a promising alternative to determining baselines and assessing additionality on a project specific basis
- Performance benchmarks have advantages where –
 - A GHG program impacts the whole sector, since the project-by-project approach does not adequately reflect the impacts on other projects
 - Emission reductions or removals are a result of different measures, since a performance benchmark simply quantifies the overall effect on emissions or removals
- For technologies on a positive lists it is no longer necessary to demonstrate additionality on a project-specific basis
- Performance benchmarks and positive lists enhance predictability for investors

2. Development of draft requirements

Steering committee

Working groups

Peer review

Steering committee

- **Michael Lehmann**, Det Norske Veritas (chair)
- **Dinesh Aggarwal**, Deloitte Touche Tohmatsu, CDM Meth Panel
- **Derik Broekhoff**, Climate Action Reserve
- **John Drexhage**, ICMM and VCS Board
- **Rob Fowler**, Essential Change Advisory Services
- **Michael Gillenwater**, Greenhouse Gas Management Institute
- **Bettina von Hagen**, Ecotrust and VCS Board
- **Jan-Willem Martens**, Independent Consultant, CDM Meth Panel
- **Catherine Martin-Robert**, Holcim
- **Jessica Orrego**, Equator
- **Gareth Phillips**, Sindicatum Carbon Capital
- **Christoph Sutter**, South Pole Carbon Assessment Management
- **Luis de la Torre**, Repsol Gas, CDM Meth Panel
- **Einar Telnes**, PointCarbon
- **Zach Willey**, Environmental Defense Fund

Working groups

- Analysed existing work –
 - CDM – AM0070, NM0302 (cement), micro RE/EE tool
 - VCS – Home weatherization, nitrogen fertilizer application
 - CAR – Forest project protocol, eligibility criteria approach
- Conducted stakeholder survey –
 - Technical experts, sector experts, members of CDM EB, Meth Panel
- Developed overarching principles
- Drafted requirements for performance benchmarks
- Drafted requirements for positive lists

Peer review group

- **Neil Bird**, Joanneum Research
- **Sandra Greiner**, Climate Focus
- **Jürg Grütter**, Grutter Consulting Inc.
- **Edie Sonne Hall**, Weyerhaeuser
- **Jaime Martin Juez**, Repsol, CDM Meth Panel
- **Nicolas Müller**, Perspectives
- **Anja Kollmuss**, CDM Watch
- **Michael Lazarus**, Stockholm Environment Institute - US
- **Anne Arquit Niederberger**, Policy Solutions
- **Ingo Puhl**, South Pole Carbon Asset Management Ltd
- **Monali Ranade**, World Bank
- **Rama Reddy**, World Bank
- *<Government environment agency>*

3. Overview of draft requirements

Performance methods

Activity methods

Approval process and period re-assessment

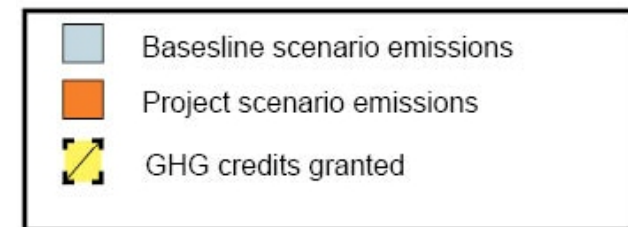
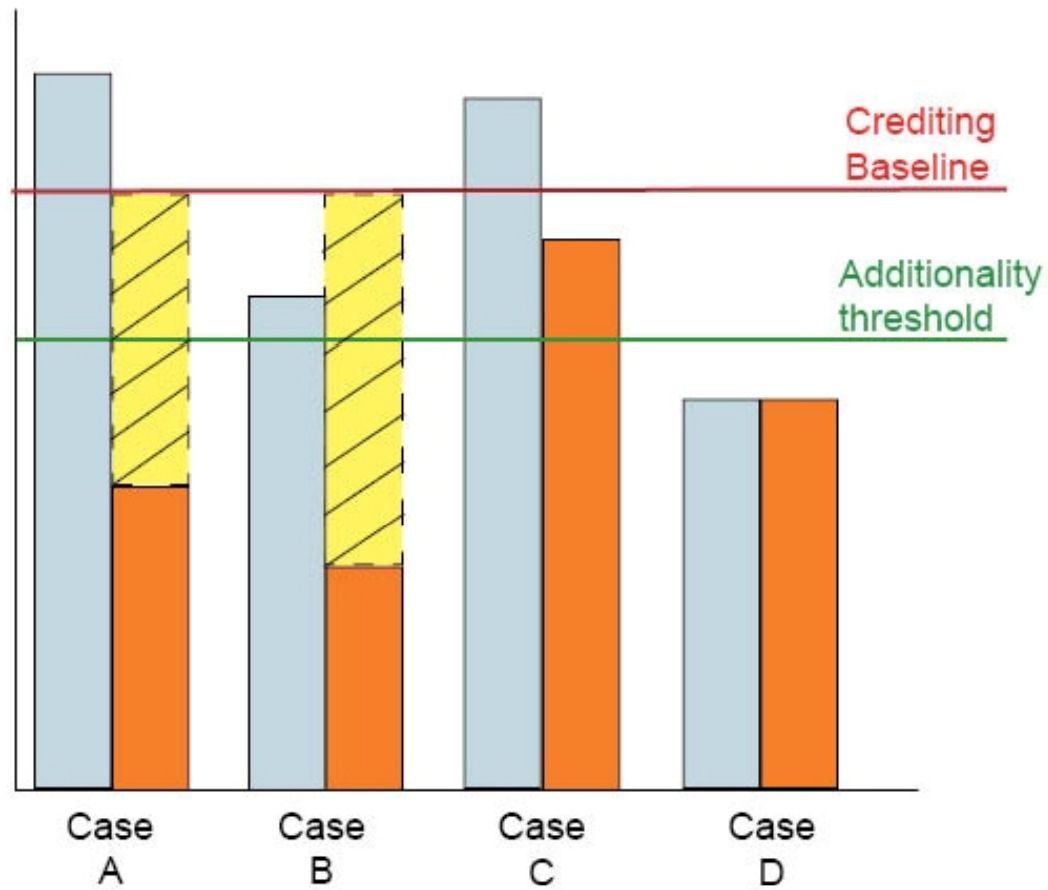
What are standardized approaches?

Methodological approaches that standardize elements of additionality and/or the crediting baseline, for a given class of project activity:

- **Performance Methods** – performance benchmark approach for the additionality threshold and/or the crediting baseline
- **Activity Method** – positive list approach for additionality

Performance methods

Emission intensity
(tCO₂e/ t output)



Key features of performance methods (1)

- Performance benchmark metric –
 - tCO₂e per unit of output (per tonne of clinker)
 - tCO₂e per unit of input (per tonne of fertilizer per hectare)
 - Sequestration metric (tC stored per hectare)
 - Proxies may be used
- Data requirements –
 - Dataset contained within the meth or in a separate repository
 - Data must be publicly available or made publicly available
 - Appropriate custody arrangements for data repositories
 - Dataset may be static or dynamic
 - Dataset may be applied from one region to another

Key features of performance methods (2)

- Level of the performance benchmark needs to ensure environmental integrity and provide sufficient financial incentive to potential projects -
 - Analyse current performance and available technologies/ measures in the sector
 - Evaluate trade-off between false negatives and false positives
 - Conduct stakeholder consultation to inform the decision on the appropriate level of the benchmark
- Stratification (level of aggregation) and use of correction factors is crucial

Key features of activity methods (1)

- For additionality only (at this stage)
- Can be written into a new methodology or a new (standalone) module
- The positive list deems as additional technologies and/or measures in a given context of application
- Context includes geographic scope and must consider socio-economic conditions, climatic conditions, energy prices, raw material availability, etc.

Key features of activity methods (2)

- Positive list established via one of three options -
 - **Activity penetration:** Less than 5% adoption rate of project activity (relative to maximum adoption potential)
 - **Financial viability:** Less financially or economically attractive than alternatives (demonstrated using CDM additionality tool)
 - **Revenue streams:** No other significant sources of revenue (gross annual revenue excluding from sale of GHG credits not to exceed 5% of capital expenditure)

General requirements for standardized methods

- Any combination of performance, activity or project methods for additionality and crediting baseline
- Most plausible baseline scenario or the aggregate baseline scenario must be established
- Applicability conditions must exclude classes of project activities that would be implemented without the carbon market
- Strengthened approval and re-assessment process –
 - Standardized methods expert for method assessments
 - Update and re-assessment every five years, including VCSA review of level of benchmark
 - Interim assessment of activity methods within three years

4. Public consultation process

Documents issued for consultation

Some things to note

Submitting comments

Documents issued for consultation

- VCS Standard –
 - Methodology requirements (section 4)
 - Project requirements (section 3)
- Methodology Approval Process –
 - Use of experts (section 9)
 - Review of standardized methods (section 10)
- Program Definitions

Performance Method

4.6.6 Step 1: Regulatory Surplus:

The project **activity** shall meet with the requirements on regulatory surplus set out under the project **method in** Section 4.6.3.

4.6.7 Step 2: Performance Benchmark:

The GHG emissions generated (or carbon sequestered) per unit of output, unit of input or sequestration metric by the project shall be below (or above, for sequestration) the prescribed performance benchmark metric or proxy for such metric. Proxy metrics or conditions may be specified where it can be demonstrated that they are strongly correlated with the performance benchmark metric and that they can serve as a better (ie, more reliable, consistent and practical) method to determine whether performance is achieved to a level at least equivalent to that of the performance benchmark metric.

GHG emissions generated (or carbon sequestered) may be above (or below, for sequestration) the prescribed performance benchmark metric or proxy for such metric for a given verification period. However, the project is not considered additional for such verification period and the project shall not be granted credit.

Rationale: There may be cases where reliable and more practical proxies could be used to ascertain project performance. Provided it can be demonstrated that such proxy metrics or conditions can reliably and consistently assure that projects achieve the specified level of the performance benchmark metric, they may be used. An example of this might be the use of kWh in a methodology for household energy efficiency (as proxy for GHG emissions from electricity).

Some things to note...

- The draft requirements provide an overall framework, and are not (cannot be) overly prescriptive
- They are policy, not science
- They concentrate on process, rather than outcome
- The steering committee is now turning its attention to a framework for default factors and accelerated activity penetration

Some things to think about...

- Is the balance between practicality and environmental safeguards appropriate?
- How would the requirements work for the project types with which you are most familiar?
- Are the requirements on setting the level of the performance benchmark sufficient?
- Does the specification on financial viability (for activity methods) provide a workable procedure?
- Are the requirements sufficiently clear to ensure correct and consistent interpretation?

Public consultation process

- Comments due by 30 October 2011
- Submit to secretariat@v-c-s.org
- Contact Jerry at anytime with questions

- ...and following the consultation – review of comments, further revision, submission to VCS Board for approval, incorporation of requirements into standard expected early 2012

Thank you... Questions?

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