

16 September 2010

English/Spanish only

UNITED NATIONS FRAMEWORK CONVENTION ON CLIMATE CHANGE

Subsidiary Body for Scientific and Technological Advice

Thirty-third session

Cancun, 30 November to 4 December 2010

Item 7 (b) of the provisional agenda

Methodological issues under the Kyoto Protocol

Standardized baselines under the clean development mechanism

Views related to standardized baselines under the clean development mechanism

Submissions from Parties and relevant organizations

1. The Subsidiary Body for Scientific and Technological Advice, at its thirty-second session, invited Parties, intergovernmental organizations and admitted observer organizations to make submissions to the secretariat, by 16 August 2010, with their views on options to address all relevant issues, including those listed in document FCCC/SBSTA/2010/6, paragraph 94, ensuring a balance between practical usability, environmental integrity and attractiveness.

2. The secretariat has received three such submissions from Parties. In accordance with the procedure for miscellaneous documents, these submissions are attached and reproduced* in the languages in which they were received and without formal editing.

3. The secretariat has also received submissions from admitted observer organizations. In line with established practice, the secretariat has posted these submissions on the UNFCCC website at http://unfccc.int/parties_observers/ngo/submissions/items/3689.php.

* These submissions have been electronically imported in order to make them available on electronic systems, including the World Wide Web. The secretariat has made every effort to ensure the correct reproduction of the texts as submitted.

Contents

	<i>Page</i>
1. Argentina (Submission received 20 August 2010).....	3
2. Belgium and the European Commission on behalf of the European Union and its member States* (Submission received 12 August 2010).....	5
3. Switzerland (Submission received 17 August 2010).....	11

* This submission is supported by Bosnia and Herzegovina, Croatia, Montenegro, Serbia and the former Yugoslav Republic of Macedonia.

Paper no. 1: Argentina

Argentina

Presentación

al

Órgano Subsidiario para el Asesoramiento Científico y Tecnológico

sobre

Líneas de Base Estandarizadas en el marco del Mecanismo para un Desarrollo Limpio

Agosto 2010

En respuesta a la invitación realizada por OSACT a los países para realizar presentaciones, al 16 de agosto de 2010, al Secretariado sobre opciones para encarar los temas revelantes en relación al desarrollo de líneas de base estandarizadas en el marco del Mecanismo para un Desarrollo Limpio (MDL), la Argentina quisiera remitir los siguientes comentarios generales.

En primer lugar, vemos al desarrollo de líneas de base estandarizadas una oportunidad para mejorar la objetividad con la que se evalúan los proyectos para su registro en el MDL y luego se los monitorea y verifica para su certificación.

Considerando que el las reducciones de emisiones de GEI conseguidas en el marco del MDL son usadas para compensar emisiones realizadas en el Partes del Anexo I, es esencial para conservar la integridad ambiental asegurar la adicionalidad de las actividades llevadas a cabo mediante el establecimiento de reglas claras, transparentes, y rigurosas para demostrar dicha condición, así como el cuidados conteo de las reducciones de emisiones mediante la definición de líneas de base conservadoras a partir de las cuales comparar las emisiones de la actividad de proyecto.

Reconocemos las dificultades para desarrollar líneas de base estandarizadas que puedan tener en cuenta tanto la adicionalidad como el conteo de las reducciones de emisiones, y al mismo tiempo que puedan contemplar diferentes tipos de actividades y tecnologías en diferentes sectores económicos, regiones y países.

En este sentido, en el desarrollo de líneas de base estandarizadas, consideramos necesario tener en cuenta, entre otros, los siguientes aspectos: sectores y procesos, diferentes tecnologías, escala de las actividades, régimen de carga, tipos de insumos y productos, edad de las instalaciones, y agrupación geográfica. Además, como la performance de un sector cambia con el tiempo debido tanto a progresos tecnológicos autónomos e inducidos, las líneas de base deben ser actualizadas periódicamente. De este modo, los esfuerzos realizados por los países en desarrollo para mejorar la performance en diferentes sectores y subsectores de sus economías deberían ser reconocidos e incorporados a las líneas de base; así, esos países podrían estar en una situación que le permitiera sostener y, cuando sea posible, profundizar sus esfuerzos de mitigación.

La consideración de todos estos factores podría disminuir el potencial para el desarrollo y uso de las líneas de base estandarizadas. Por esta razón, recomendamos comenzar desarrollando líneas de base estandarizadas para sectores y/o procesos con un solo producto, ej. producción de energía eléctrica, y un solo insumo, ej. gas natural para producción de energía eléctrica.

La participación de instituciones científicas y expertos locales con el conocimiento necesario sobre los sectores de la economía en sus respectivos países es una condición sine qua non para la elaboración de las líneas de base estandarizadas.

Por último, quisiéramos recomendar la realización de un taller técnico sobre este tema para que las Partes tengan la oportunidad de, primero, escuchar a los expertos sobre las ventajas y desventajas de las diferentes opciones y enfoques posibles para el desarrollo de las líneas de base estandarizadas, y segundo, intercambiar opiniones sobre la temática entre las Partes y discutir sobre como proceder.

Argentina
Submission
to the
Subsidiary Body for Scientific and Technological Advice
on
Standardized Baselines under the Clean Development Mechanism
August 2010

Regarding the invitation by SBSTA to Parties to make submissions to the Secretariat, by 16 August 2010, on options to address all relevant issues in relation to the development of standardized baselines under the clean development mechanism (CDM), Argentina would like to submit the following general comments.

In the first place, we see the development of standardized baselines as an opportunity to enhance the objectivity under which project activities under the CDM are initially evaluated for registration and later monitored and verified for certification.

Considering that GHG emission reductions achieved under CDM activities are used for offsetting GHG emissions realized in Annex I Parties, it is essential for environmental integrity purposes to assure the additionality of the activities undertaken by establishing clear, transparent and stringent rules to demonstrate this condition, and the careful counting of emission reductions by defining conservative emission baselines from which to compare the emissions of the project activity.

We recognize the difficulties to develop standardized baselines that can take care of both additionality and emission reductions counting, and at the same time be able to deal with different types of activities and technologies in different economic sectors, regions and countries.

In this sense, in the developing of standardized baselines, we deem necessary to take into account, inter alia, the following aspects: sectors and processes, technology differentiation, scale of the activities, load capacity regime, production inputs and outputs, installations vintage, and geographical aggregation. In addition, as the performance of a sector changes over time due to both autonomous and induced technical progress, baselines need to be updated periodically. In this regard, past efforts made by developing countries to improve performance in different economic sectors and subsectors of their economies should be recognized and incorporated into the baselines, so those developing countries could be in a position to sustain and, whenever possible, deepen their mitigation efforts.

The consideration of all these factors may diminish the potential for the development and use of standardized baselines. For this reason, we strongly recommend starting by developing standardized baselines for sectors and/or processes with single outputs, i.e. electricity production, and single inputs, i.e. natural gas to produce electricity.

Participation of local scientific institutions and experts with the necessary knowledge about economic sectors within their respective countries is a sine qua non requirement.

Finally, we would like to recommend holding a technical workshop on this issue for Parties to have the chance to, first, listen to experts about the advantages and disadvantages of different options and approaches that may be available for the developing of standardized baselines, and second, exchange views on the subject among Parties and discuss how to proceed.

SUBMISSION BY BELGIUM AND THE EUROPEAN COMMISSION ON BEHALF OF THE EUROPEAN UNION AND ITS MEMBER STATES

This submission is supported by Bosnia and Herzegovina, Croatia, the Former Yugoslav Republic of Macedonia, Montenegro and Serbia.

Brussels, 12 August 2010

Subject: Standardised baselines under the clean development mechanism

The EU welcomes the opportunity to submit its views on modalities and procedures for the development of standardised baselines. Standardised approaches can improve efficiency by reducing transaction costs, complexity and uncertainty for project participants. Environmental integrity of the CDM is important and standardised approaches will offer a more objective approach to determining additionality and quantifying baseline emissions. Standardised baselines can also facilitate access to the CDM, particularly if the development of standardised methodologies for determining baselines and additionality are prioritised for underrepresented countries and regions, thereby reducing the burden on project developers.

The EU aims for a decision on this matter to be adopted at the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol at its sixth session. The EU submission of 26 February 2010¹ outlined the benefits of standardised baselines and indicated some of the essential elements that should be included in the modalities and procedures. This submission sets out to address some of the issues raised during SBSTA 32.

(a) The scope of the development of standardised baselines

The term ‘standardised baselines’ can refer to a broad range of procedures and routines applicable to multiple projects that introduce standardised elements into CDM methodologies, such as standardised parameters, including benchmarks, default factors or pre-crafted tools. These can range from greater use of standardised parameters such as grid emissions factors to the introduction of performance standards or benchmarks for particular project types.

One basic aim behind standardising baselines is streamlining and simplifying CDM methodologies. At least two approaches for establishing standardised baselines should be distinguished:

- Simplification to be achieved through the selection of default values wherever possible, which have to be set at a conservative level to protect the environmental integrity, or
- Simplification of methodologies by removing specific requirements which are perceived as adding unnecessary complexity – thereby hampering the use of these methodologies – while compensating for any increased uncertainty by applying conservative standardised values to ensure the environmental integrity.

Standardised baselines can be used to demonstrate additionality as well as defining baseline emissions. The EU interpretation of standardised baselines encompasses all of these approaches, and advocates use of standardisation wherever feasible.

Additionality testing determines whether a project is registered at all while the baseline determines how many credits can be issued for that project. Determining the baseline and testing additionality can be both time consuming and difficult since they are – due to their “counterfactual” nature – based on assumptions. Standardised approaches could help improve objectivity and streamline the process of determining additionality and establishing the baseline for a wide range of project types. Provided this is done in a conservative manner, a

¹ FCCC/SBSTA/2010/MISC.3/Rev.1.

high level of environmental integrity can be maintained. For certain project types the same standardised indicators can be used for both purposes, for instance:

- End-of-the-pipe technologies for the reduction of greenhouse gases: The baseline can be determined by using the benchmark approach established in paragraph 48 (c) of the Modalities and Procedures of the CDM (Marrakech Accords). If a project reduces emissions beyond this benchmark it could be automatically considered additional since this reduction can only be achieved with additional investment, incurring costs without accruing any financial revenues.²
- Energy efficiency improvement: For a number of technologies which reduce greenhouse gases through an improved efficiency, a linear relationship between efficiency and cost can be assumed since a higher efficiency will result in (over-) proportional higher costs. This applies to household appliances such as refrigerators, lamps, etc., to technologies used in the commercial and service sector such as boilers, fans or pumps and may also apply to vehicles in the transport sectors. If such efficient devices comply with a 48 (c) benchmark they could also automatically be considered additional if it can be shown in the standardised method that revenues due to reduced energy consumption do not pay-off the full additional costs of using devices with higher efficiency.

For some project types the same standardised approach could be used for additionality testing and for determining the baseline but with different benchmark values for each of the purposes.³ The additionality test for certain new installations could be based on a more ambitious benchmark, for example the average of the top 10 per cent, while the baseline would be determined in accordance with paragraph 48 (c) of the modalities and procedures of the Marrakech Accords.⁴ This way it would be ensured that only projects are registered which are really additional while they would receive sufficient credits to pay-off their additional costs.

However, the standardised baseline cannot always be used to determine the baseline and additionality at the same time. For example, projects delivering power to the grid might use the grid emission factor as a baseline. However, some of them might not be additional because the selected technology is economically most appropriate. In this case additionality testing either needs still to be carried out on a project-by-project basis or a different standardised approach might be applied to determine additionality. Certain types of projects might, for example, be considered additional as long as they have not reached a specific penetration rate set at a conservative level.

Whether a standardised baseline can be used for both determining the baseline and for testing additionality will depend on the project type. The specific approach needs to be analysed thoroughly as part of the approval process of the standardised method and needs to be agreed by the Executive Board of the CDM. However, since standardised approaches will increase the objectivity of both tests and would facilitate the implementation of a number of projects, the EU advocates applying standardised approaches wherever feasible.

(b) The mandatory or optional nature of the use of standardised baselines

Standardised baselines could be applied in new and existing methodologies. For instance, standardised baseline methods could be developed to increase the objectivity of existing approaches or introduced for project types for which a project-by-project determination of the baseline would previously have been too expensive (e.g. certain demand side energy efficiency projects). In the latter case, standardised baselines might facilitate the implementation of new project types, thereby enhancing the scope of the CDM.

² The picture can be different if end-of-the-pipe technology might result in additional benefits or revenues as it could be the case with CH₄ destruction. CH₄ could either be flared or used for heat and/or power generation. Methods with standardised baselines should be developed in such a way that they do increase the incentive to make use of the energy contained in the CH₄ emission which should be reduced.

³ For example, the Cement Sustainable Initiative (CSI) recently proposed a methodology for cement plants where different benchmarks are used to determine baseline emissions and to demonstrate additionality (NM0302).

⁴ 48 (c) "The average emissions of similar project activities undertaken in the previous five years, in similar social, economic, environmental and technological circumstances, and whose performance is among the top 20 per cent of their category."

As is currently the case, a new or revised methodology would be applied to new projects which fall under the scope of the methodology. Project developers or other stakeholders would be able to propose alternative parameters to take account of national-specific circumstances where appropriate. Revised methodologies will not be applied to exiting CDM projects during an ongoing crediting period (no retroactive ruling). Hence, the revised methodology will be applied to existing projects in any new crediting period starting after adoption of the revision.

(c) The procedural requirements for the development of standardised baselines, including the involvement of designated national authorities

(i) Who will develop (top down and/or bottom up) the standardised baselines and who will approve them?

In general, standardised baselines can be developed by any entity directly involved in the development of CDM methodologies. It could be a project developer, a host country institution such as the DNA or the CDM Executive Board who takes the initiative for developing such a baseline. Host countries could, for instance, facilitate the implementation of certain CDM projects types through the active involvement in the development of standardised baselines for those project types.

However, the development of standardised baselines could be a costly process which could prove challenging for an individual host country, particularly those who have had limited involvement in the CDM to date. In such cases, the Executive Board could initiate the development of a standardised baseline. Based on past experience, the Executive Board should develop a list of project types which should be prioritised and should report this list in its methodological work plan to the Conference of the Parties as part of its annual report.

As the CDM is a country driven process, each project using a standardised methodology will require the approval of the host country, as is currently the case.

(ii) What should be the role of the designated national authorities (DNAs) and the role of the CDM Executive Board?

The host country DNA could play an important role in gathering the data required to develop a standardised baseline. They are specifically suited for this task, since they are likely to have the best knowledge on the performance of all activities which would be covered by the standardised baseline. However, as lack of data might be a barrier to some host countries' DNAs, ways to enhance their capacity becomes important (this is further addressed under section h).

DNAs might also help to solve confidentiality issues. They could, for example, be entrusted with the gathering of data which would be considered confidential. The DNA could analyze the data and calculate a standardised parameter or performance standard from it. For those methodologies, where confidentiality is a particular issue, the UNFCCC Secretariat could verify the data. This way it could be ensured that these indicators are publicly available and independently verified, while confidentiality of the data of individual installations is ensured.

(iii) What level of interaction with stakeholders would be required?

Rules for stakeholder involvement in the development and review of methodologies are well established under the CDM: After the development of a draft method, there would be a public consultation process in which interested entities could provide comments. All comments provided would have to be considered in the review of the first draft and taken into account to the extent possible.

(d) The priorities for developing standardised baselines

The EU assumes that any entity can set its own priorities and initiate the development of standardised baselines to facilitate the implementation of certain projects types (see above). However, priorities need to be agreed for the development of standardised baselines initiated by the Executive Board of the CDM. From the EU's perspective, priority should be given to standardised baselines which are likely to contribute most to improving

- efficiency: the development of standardised baselines should focus on areas, countries and technologies where standardisation could make a large contribution to speeding up the registration process, reducing transaction costs, complexity and uncertainty for project participants and increasing investment in CDM projects, especially for under-represented project types with sustainable development benefits such as demand side energy efficiency;
- environmental integrity: the development of standardised baselines should uphold the fundamental principles of environmental integrity of the CDM by reducing opportunities to register inflated baselines, minimising the risk of approving non-additional projects and by eliminating incentives which run counter to the overall goal of achieving emission reductions;
- fair access: the development of standardised baselines should be prioritised for areas which are currently underrepresented in the CDM, in order to improve access to the CDM for these countries and regions.

The Executive Board of the clean development mechanism should take into account these priorities in its Methodological work plan. This plan must be reported to the Conference of the Parties serving as Meeting of the Parties as part of the annual report of the Executive Board.

(e) Access by underrepresented regions, subregions, sectors and least developed countries to the CDM

Standardised baselines can help improve access to the CDM for countries and sectors which currently have few or no projects registered. Once adopted, standardised approaches can also result in considerable time savings in the registration process for all other projects. The CDM Executive Board should work closely with host country DNAs to develop top-down (rather than project-by-project) approaches to determining baselines and additionality, for example, by providing clear guidance on how to develop standardised approaches. The development of top-down methodologies should be prioritised for underrepresented countries where the burden on project developers has been a barrier to implementation. In cases where sector data is not available to project participants, as is often the case in Least Developed Countries, the use of standardised default factor or parameters, taking into account IPCC guidelines, could facilitate project development.

This approach would help simplify preparation of Project Design Documents (PDDs), reducing costs for project developers and increasing certainty for investors. This may be particularly beneficial for increasing access to the CDM for small scale projects and programmes of activity.

(f) The level of aggregation and the boundaries

The appropriate level of aggregation will vary by sector/project type. However, in general, the level of aggregation should help provide stronger incentives for low-carbon technologies, while keeping reasonable transaction costs. Some disaggregation could be necessary e.g. setting different performance standards for different vintages of installation to ensure less efficient plants still have incentives to reduce emissions.

The geographical boundary for setting standardised parameters should be appropriate to the sector. In globalised markets in which technologies do not differ significantly between countries, parameters could be built on a global database.⁵ However, for other project types, they could be set at a regional, national or sub-national level in order to take account of specific circumstances as appropriate. Where there is a clear link between emissions and a varying parameter e.g. altitude, standard factors could be applied to adjust the standard.

(g) Data quality, availability, collection and confidentiality

Developing standardised baselines will require reliable data. Current data availability varies between sectors and countries. For some sectors reliable data is already available, and for these sectors, standardised parameters could be developed relatively quickly. Standardised approaches for other sectors may take longer in order to allow time to gather the data and verify its quality. Data uncertainties can, in addition, also be reflected through the use of more conservative default factors /performance standards or through the use of uncertainty factors.

⁵ For example, the Cement Sustainable Initiative (CSI) recently proposed a methodology for cement plants where a global performance standard is built on a global database (NM0302).

Provided standardised baselines are not set at too disaggregated a level, commercially sensitive data will be protected. The Cement Sustainability Initiative (CSI) is a current example of setting performance standards where the data system is designed and managed independently to ensure accuracy of the information and adequate safeguards to protect confidential information. Host country DNA involvement can also help to ensure confidential treatment of the data.

Establishing standardised baselines will need the collaboration of host country institutions in providing data. However, it could also help access to the CDM if there were a shift in the financial and operational burden of developing baselines from project developers to public institutions for example, with the EB taking a more top down approach. This shift in burden could be an opportunity for scaling up the CDM in countries which have had minimal engagement with the CDM to date. As the use of standardised approaches is also being discussed in DNA forums, such a setting could serve as a platform to further exchange views on data gathering practices.

(h) The financing of the development of standardised baselines, including capacity-building and data collection

The EB should ensure active engagement of stakeholders and DNAs in the development of standardised baselines, including the opportunity for DNAs and stakeholders (e.g. private sector bodies) to submit their own proposals, subject to scrutiny by the Executive Board. This would be funded in the same way as existing methodologies.

Wherever possible, use should be made of the existing capacity of DNAs in data gathering and baseline development. Where capacity is currently lacking, particularly in LDCs, multilateral development banks, international organisations, Annex I countries and non-Annex I countries with experience of the CDM should be prepared to provide technical and financial support to national institutions in capacity building, particularly gathering and verifying data. One of the aims under the Nairobi Work Programme is to build and enhance the capacity of DNAs to become fully operational. Thus, such examples serve as a good starting point when assessing how capacity building of DNAs could be provided.

The cost of the EB developing top down standardised baselines and amending existing methodologies could be met from the budget of the CDM Executive Board as agreed in the management plan.

(i) Accounting for developments over time

It is crucial that standardised baselines are regularly updated to take account of changing conditions (e.g. technological progress). The frequency of updates will vary depending on the project type (i.e. depending on the speed of technical progress in that sector) but a clear process for updating the baseline (including timeframe for updates) will need to be clearly defined upfront. In some cases performance standards could be updated with the use of standard factors.

Where appropriate, performance standards could be set at a national or sub-national level in order to take account of specific circumstances as appropriate.

Annex 1: Essential elements of Modalities and Procedures

Pursuant to decision 2/CMP.5 (25) the Subsidiary Body for Scientific and Technological Advice should recommend modalities and procedures for the development of standardised baselines. In order to facilitate the drafting of a decision on this matter, the EU suggests to including the aspects listed below in such a draft decision:

- recitals which explain the purpose and aim of the decision;
- a clear definition of standardised baselines and other technical terms used in this decision;
- the principles to be taken into account in the development of standardised baselines;
- the description of potential additional requirements for the submission of proposals for standardised baselines;
- the role of the CDM Executive Board in developing standardised baselines;
- a work plan on standardised baselines to be prepared by the Executive Board and to approved by the CMP at its seventh session;
- provisions on other aspects such as financing the development of standardised baselines and capacity building.

SWITZERLAND

STANDARDIZED BASELINES FOR CDM PROJECTS

Switzerland welcomes the opportunity to submit its views on issues related to the development of standardized baselines under the clean development mechanism (CDM).

Given the positive contribution of flexible mechanisms to climate change mitigation, Switzerland strongly supports the further development of these mechanisms and the strengthening of the CDM. We believe that standardized baselines for CDM projects can promote the scaling-up of mitigation actions while ensuring environmental integrity. By applying a more objective and consistent approach, standardized baselines can not only alleviate the burden on project proponents by reducing transaction costs, simplifying the CDM procedure, and increasing the predictability for future projects, but also contribute to enhance the efficiency of the CDM registration process and improve regional and sectoral distribution of CDM projects. Due attention has to be given to the balance between practical usability, enhanced cost-efficiency, environmental integrity and attractiveness for both investors and host countries.

The Swiss submission provides input on some of the issues raised during SBSTA 32.

a) Scope of the development of standardized baselines

The scope of the development of standardized baselines must be defined in such a way that standardized baselines can reduce/remove transaction barriers, increase efficiency and simplify procedures of the CDM registration process, scale-up mitigation actions as well as increase regional distribution. It is possible to apply a standardized approach for a wide range of project types by introducing standardized elements into CDM methodologies in order to define baseline emissions and demonstrate additionality, where applicable. Such standardized elements could encompass performance standards, benchmarks, default values, etc. either for specific sectors/sub-sectors or products, depending where application and development is more practicable in terms of definition and comparability of activities. If standardized baselines cannot be developed for both the baseline and the additionality, additionality testing or further development of different approaches would nonetheless be necessary. Where possible, Switzerland supports the application and development of standardized approaches for both the baseline as well as the additionality.

In order to ensure environmental integrity, sufficiently conservative standardized values should be used. For sectors or products for which the accurate level of performance standard cannot be determined, alternative approaches to standardized baselines should be used in order to reduce the risk of non-additional Certified Emission Reductions (CERs). Indeed, overall, it should be avoided that standardized baselines allow project proponents with projects whose emissions are relatively lower than the emission baseline to receive more CERs than with a specific-project calculation.

Depending on the project type, sector or product, we assume that differentiation might be necessary for example with regard to old-new installations, the scale and the structure of installations, regional differences, production processes, product types or other relevant specificities, in order to ensure that standardized baselines are sufficiently consistent and practicable. However, the development of standardized baselines should be as technology neutral as possible. It should be carefully assessed which parameters are important in the determination of baseline emissions and additionality, and if they can be subject to standardized methods that are applicable to multiple projects. Generally speaking, due attention must be given to avoid further complexity of the CDM procedures because of the multiple elements that could be taken into account. Finding an adequate balance between specificities and standardization is crucial.

b) Mandatory or optional nature of the use of standardized baselines

Each project using a standardized baseline would still require the approval of the host country. However, once a standardized baseline has been approved by the CDM Executive Board (EB) and adopted by the host country Designated National Authority (DNA), it should be applied to all projects corresponding to this standardized baseline, if specific circumstances, differentiation parameters and situations have been adequately taken into account in the development of the baseline.

Furthermore, depending on the scope of the standardized baselines, project-specific approaches should continue for activities where no standardized baselines have been developed yet or where specificities do not allow the application of the standardized baseline. However, it should be avoided that standardized approaches are only used if they are more favourable in terms of CERs than project-by-project approaches.

If standardized baselines are optional, rules concerning phasing-in and phasing-out (sunset clause) should be set clearly. In addition, newly developed standardized baselines should not apply to existing CDM projects during an ongoing crediting period.

c) Procedural requirements for the development of standardized baselines, including the involvement of designated national authorities

Basically, standardized baselines could be developed by the CDM EB, host countries (DNAs), project developers, or regional multilateral organisations. International financial and capacity-building support should help all stakeholders to develop standardized baselines. However, the EB and its supporting bodies should provide overall guidance and methodological tools.

Following decisions from the CMP and based on past experiences, the EB and its supporting bodies (e.g. the Meth Panel) should develop guidelines for the preparation and prioritization of standardized baselines. Firstly, they should undertake an analysis of approved methodologies in order to determine where it is possible to incorporate and further develop standardized elements. Secondly, they should develop guidance and methodological tools for the development of standardized baselines. All stakeholders should be adequately consulted in an open and transparent process once guidance, methodological tools and standardized baselines have been developed.

The development of standardized baselines should encompass two dynamics. On the one hand, the EB and its supporting structure may initiate standardized baselines in a top-down approach in sectors/products and geographical areas considered as priorities. Furthermore, the EB's supporting structure could coordinate data collecting efforts. On the other one, a bottom-up approach should be encouraged, with project proponents having also the possibility to propose new standardized baselines.

DNAs could play an important role with regard to data collection on the national level, thereby alleviating confidentiality concerns, and to the development of standardized baselines. However, in cases where DNAs do not have sufficient capacities, initiatives by the EB's supporting structure or involvement of regional multilateral organisations could certainly be helpful.

Regarding quality of data provided, verification and consistency need to be ensured and a competent organ should be identified to carry out this task. Furthermore, the EB's supporting structure should facilitate harmonization of datasets when needed.

d) Priorities for developing standardized baselines

In general, priorities can be set by host countries, project developers or any other entity initiating the development of standardized baselines.

Priorities with regard to those baselines initiated by the EB should be set according to the following principles:

- in those areas and activities where investment in CDM projects can be substantially increased and mitigation actions scaled up. In addition, standardized baselines should also be developed in areas, where both baseline and additionality can be addressed, thus further increasing cost-efficiency;
- in those countries or regions, which are currently underrepresented with regard to CDM projects, e.g. based on a certain amount of registered CDM projects;
- in those areas, activities or countries where a potential, necessity and large impact exist with regard to enhanced efficiency, reduction of project costs, streamlining of project registration and requests for issuance, and other related aspects.

e) Access by underrepresented regions, subregions, sectors and LDCs to the CDM

The EB could initiate together with host country DNAs the development of standardized baselines in order to reduce transaction costs e.g. of small scale projects and thus increase the number of projects in underrepresented regions, sectors and LDCs. A top-down approach is essential to meet this objective. Priorities could be set as described above.

During the development of guidelines for the preparation and prioritization of standardized baselines, we recommend that the EB and its supporting structure carefully assess the potential and the challenges of standardized baselines for underrepresented regions, subregions, sectors and LDCs. This assessment should focus on the scope and accurateness of existing datasets, the best ways to proceed to data collecting, the possibilities for aggregation across countries, ways to increase efficiency and reduced complexity, taking into account consideration return on investments, expected impacts of standardized baselines on the improvement of regional and sectoral distribution of CDM projects and possible additional incentives in the CDM process (e.g. less stringent requirements for the demonstration of additionality, speeding up of the validation process, etc.).

We would welcome the launch of a pilot programme for an activity in an underrepresented country (e.g. an LDC), which might be placed under the guidance of the EB and its supporting structure. This pilot programme would allow testing the whole process (from data collection, harmonisation and aggregation to the development and use of standardized baselines), gathering useful experience for extending standardized baselines to other underrepresented countries and drawing first conclusions on the expected successes and challenges. This would allow a refinement of the priorities set for underrepresented countries, the technical and financial needs as well as the timeframe for the development of standardized baselines in these countries.

f) Level of aggregation and boundaries

Standardized baselines should take into account specificities and regional differences (old-new installations, scale and structure of installations, production processes, product types and other any relevant specificities). The level of aggregation may vary for each standardized parameter. Where markets are globalised, technologies and processes are quite similar in all countries and standardized baselines can easily be developed. Where regional differences are important (between countries or within a country), national or regional levels should be used.

g) Data quality, availability, collection and confidentiality

The availability of data is a precondition for the establishment of standardized baselines. In general, regulators encounter difficulties in obtaining accurate data on emissions of industries. The risk of capture by the industry because of information asymmetry should not be underestimated. Therefore, it is important to have various stakeholders involved in the process of collecting data and to put in place verification procedures, consultations as well as open and transparent processes.

Independent experts could help overcome the confidentiality issue that may raise during the process of gathering data. Indeed, on the one hand, the set of data must be relevant and complete and should not omit important data; on the other one, collected data should not impact on competition.

A clear framework for data collection and harmonization, methodological tools for the establishment of standardized baselines and adequate verification procedures should be developed by the EB and its supporting bodies.

h) Financing of the development of standardized baselines, including capacity-building and data collection

While benefits of data collection will be global, costs will be borne on a local level (issue of public good). Therefore, project proponents and host country DNAs could see data collecting as an unprofitable burden if no financial support and capacity-building is provided.

The overall costs of developing standardized baselines will depend on the number of standardized baselines that will be developed and the level of aggregation or specificities taken into account. The expansion of a standardized baseline to other countries or regions should be considered since it will result in decreasing costs because the standardized baseline approach will already be available. However, costs for developing standardized baselines are not expected to decrease significantly over time because of the introduction of new standardized baselines and the regular updates.

To cover these costs, Switzerland recommends using the surplus of the EB. Multilateral and bilateral institutions could also contribute with financial resources.

i) Accounting for developments over time, including past efforts

The experience that has been cumulated when developing CDM methodologies should be assessed when developing guidelines for the preparation and prioritization of standardized baselines. Revising current methodologies and using already available data when introducing standardized baselines is an efficient process.

Standardized baselines will need to be regularly evaluated and updated. These processes will require sufficient financial support.
