



Standardized Approaches for Baselines and Additionality

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What are standardized methods?

- Methodological approaches that standardize elements of additionality and/or the crediting baseline, for a given class of project activity:
 - ✓ **Activity Method** – positive list approach for additionality
 - ✓ **Performance Methods** – performance benchmark approach for the additionality threshold and/or the crediting baseline
- Envisioned in the Marrakesh Accords

Development of VCS framework

- **Steering committee** – 15 members including:
 - ✓ CDM Meth Panel members, Climate Action Reserve, DNV, Holcim, Sindicatum, Point Carbon, South Pole, Environmental Defense Fund...
- **Peer review** – 13 members including:
 - ✓ World Bank, CDM Watch, Stockholm Environment Institute, Perspectives, Grütter Consulting, Climate Focus...
- **Public Consultation**

Key features of activity methods (1)

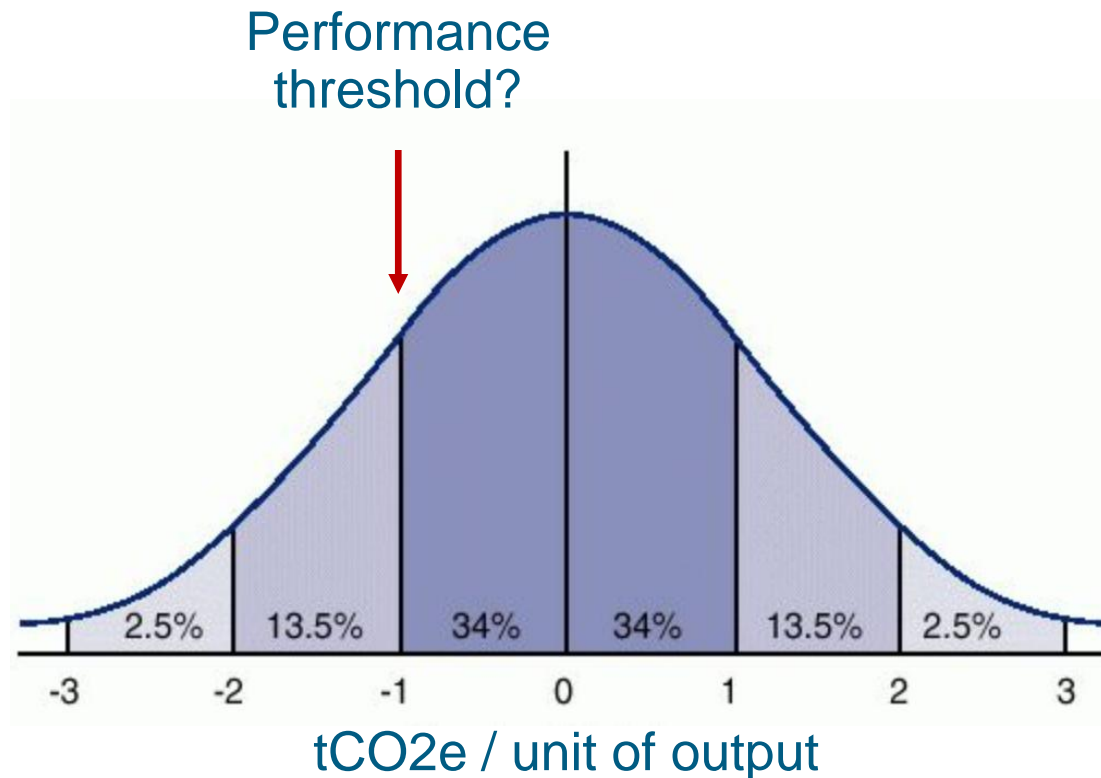
- For additionality (only)
- The positive list deems as additional technologies and/or measures in a given context of application. . .
 - ✓ Geographic scope
 - ✓ Socio-economic conditions
 - ✓ Climate
 - ✓ Energy prices
 - ✓ Availability of raw materials

Key features of activity methods (2)

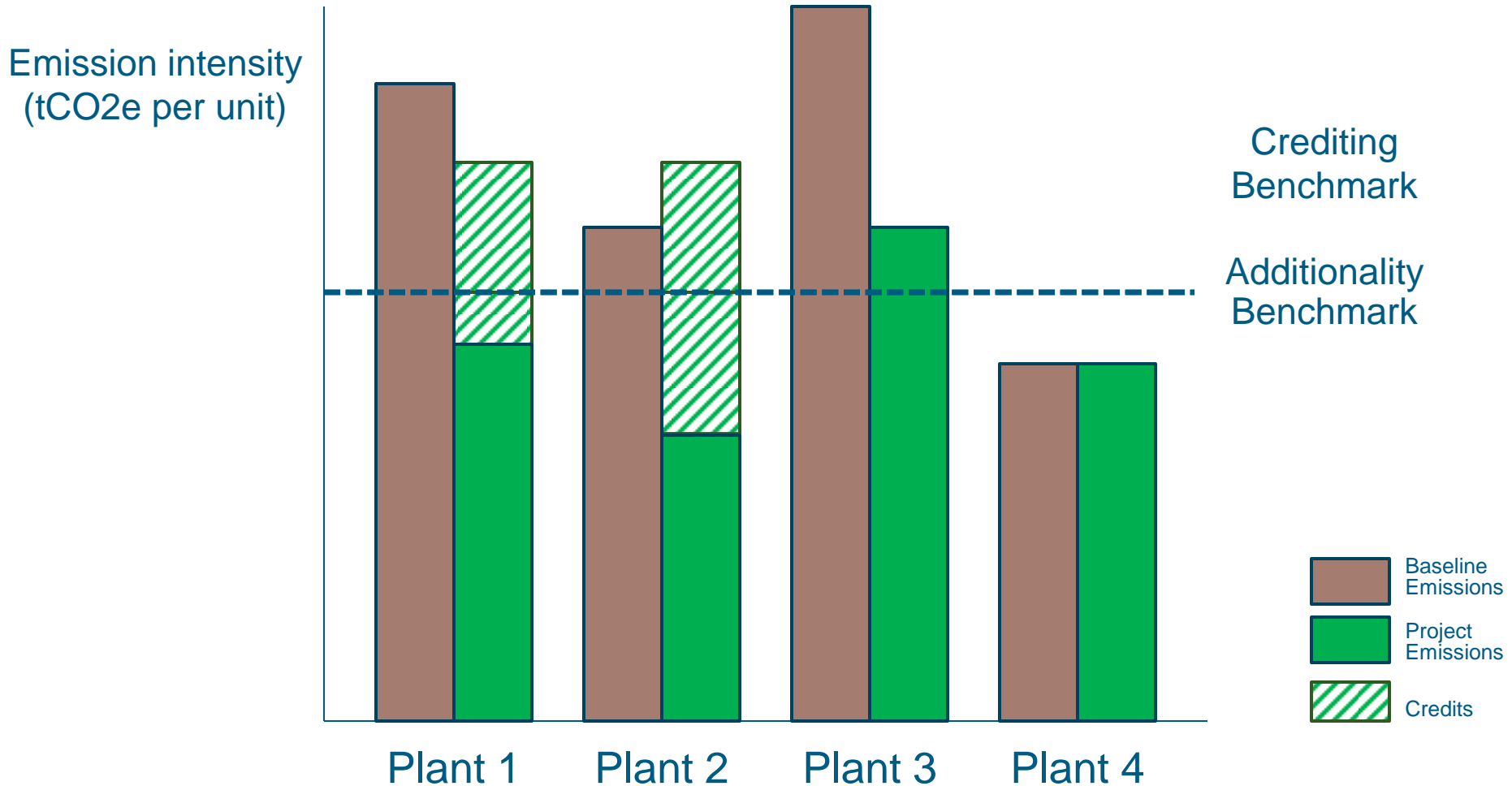
- Positive list established via one of three options -
 - ✓ **Activity penetration:** $\leq 5\%$ adoption level of project activity (relative to maximum adoption potential)
 - ✓ **Financial viability:** Less financially or economically attractive than alternatives (demonstrated using CDM additionality 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)
- Reassessment . . .
 - ✓ Update and re-assess activity methods every 5 years
 - ✓ Interim assessment of activity methods at 2½ years

Performance Methods

- Performance benchmark approach for the additionality threshold and/or the crediting baseline



Crediting using performance methods



Key features of performance methods (1)

- Performance benchmark metric -
 - ✓ Output, input or sequestration metric
- Data sources -
 - ✓ Data must be publicly available, from appropriate sources
 - ✓ Static or dynamic dataset/benchmark
 - ✓ Dataset may be applied from one region to another
- Stratification (level of aggregation) and use of correction factors is crucial

Key features of performance methods (2)

- In set thresholds, focus is on process not outcome
 - ✓ Analyse current performance and available technologies/ measures in the sector
 - ✓ Evaluate financial incentives and balance false positives and false negatives
 - ✓ Conduct expert consultation to inform the decision on the appropriate level of the benchmark
- Update and re-assessment every five years

What's happening now...?

- Bottom-up methodology development under VCS
- Many different applications being considered:
 - ✓ Household energy efficiency – BTU / m² floor space
 - ✓ Nitrogen fertilizer – Rate of application per hectare
 - ✓ Improved forest management – CO₂e / m³ timber
 - ✓ Shipping – CO₂e / container km
 - ✓ Wetlands restoration, avoided conversion of grasslands, coal bed methane – positive list

A bridge to new market mechanisms

Provides an overarching framework...

- ✓ Adherence to common principles and guidelines
 - ✓ Consistency in methodologies
- Engages private sector and facilitates demand-side

...whilst also providing flexibility

- ✓ Applicable to many types of activities/sectors
 - ✓ Performance benchmarks are intensity-based; can be technology neutral and opens up possibility of crediting policies
 - ✓ Emphasis on process for determining level of benchmarks, updating methodologies
- Nationally appropriate approaches, ensuring appropriate balance of environmental integrity and sufficient financial incentive

Thank you, and questions...?

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