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**: <= 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

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Performance threshold?
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tCO2e / unit of output
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Crediting using performance methods

Emission intensity (tCO2e per unit)

- Plant 1
- Plant 2
- Plant 3
- Plant 4

Baseline Emissions
- Project Emissions
- Credits

Crediting Benchmark
Additionality Benchmark
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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