

Agenda item 4.1 (c)

Paragraph 28 of the annotated agenda

Revision of “TOOL21: Demonstration of additionality of small-scale project activities”

CDM EB 99

Bonn, Germany, 23 to 26 April 2018



Procedural background

- EB94 requested to explore options for **replacing the unit size criterion (i.e. 1%) of the TOOL21 with an expanded positive list of specific distributed unit technologies (DUTs)** for HHs/communities/SMEs.
 - Para 11 (c) of Tool21 states: *Project activities solely composed of isolated units where the users of the technology/measure are HHs/communities/SMEs and where the size of each unit is > 1% of SSC thresholds, they are automatically additional.*
- EB98 considered the information note, and agreed that **the approach taken to develop options to determine the positive list was generally appropriate**, i.e. multi-criteria analysis taking into account **cost and penetration** of the technologies.
- EB98 requested the MP to propose revisions to TOOL21 and related methodologies, as necessary, for its consideration at a future meeting.




Purpose

To recommend a revision to TOOL 21 to replace the current 1 percent unit size criterion of TOOL21 with an expanded positive list of technologies.



Demonstration of additionality for SSC project activities

- Use one of the following (Project Standard para 133):
 - a) Additionality sections of the applied methodologies** e.g. AMS-II.J, AMS-III.C, etc
 - b) Tool for demonstration of additionality of small-scale project activities;**
 - 4 Barriers (Investment, Technology, Prevailing Practice, Others)
 - Specific grid-connected and off-grid RE technologies
 - ~~DUTs (1% of SSC thresholds to specific DUTs)~~  Expanded positive list of specific Distributed Unit Technologies (DUTs)
 - Rural Electrification
 - c) Tool for demonstration of additionality of microscale project activities.**



Key issues and proposed solutions

- MP74 conducted an analysis of specific Distributed Unit Technologies (DUTs), and 6 technologies were shortlisted.
 - Each technology was evaluated based on both **cost criteria** (i.e. the global average investment cost of technology > 3 times the baseline technology) and **market penetration criteria** (i.e., the global market penetration rate $< 3\%$).
 - **The following three technologies** were recommended to be added to the positive list **in Tool21 as a global positive list**.
 - (a) Biogas digesters for cooking;
 - (b) Micro-irrigation systems; and
 - (c) EE pump-set for agriculture belonging to highest efficiency class



Key issues and proposed solutions

- Further, **the following three technologies** were recommended for **inclusion in the respective SSC methodologies** as positive lists **combined with a market penetration rate based check with local data.**
 - (a) Solar water heaters;
 - (b) Solar lamps; and
 - (c) Clean and energy efficient cook-stoves.
- While the above technologies satisfied the cost criteria (i.e., the global average investment cost of technology > 3 times the baseline technology), the market penetration rate for these technologies varied according to countries/regions.
- Therefore, the MP agreed to have **a regional approach for penetration check.**



Key issues and proposed solutions

- MP proposed to include **a threshold of 5% market penetration rate** based on the stock of specific DUTs in the project country/location.
 - Penetration rates <5% indicate prevalence of barriers to technology diffusion.
 - Lower thresholds (e.g., =<3%) may not be suitable when taking a specific country context.
 - Host countries/regions could have reached this level of penetration through a few public-sector or internationally funded demonstration projects, but the DUTs still may not be competitive.
- Further, the MP considered that **if such technologies are implemented in the LDCs, SIDS or SUZs, the projects should be exempted from penetration check.** Such an approach is consistent with the approach taken in “TOOL19: Demonstration of additionality of microscale project activities” and is supported by study results.



Impacts

- The positive lists facilitate the development of CDM PAs/PoAs particularly involving technologies that would provide services to households/communities/SMEs.



Recommendations to the Board

- 1) Revise Tool21 to delete 1% unit size threshold and add three technologies to the positive list (global positive list).
 - Biogas digesters for cooking;
 - Micro-irrigation systems; and
 - EE pump-set for agriculture belonging to highest efficiency class.
- 2) Include following technologies in respective SSC methodologies with a condition for penetration check (i.e. additional if market penetration is less than **5% threshold** and automatically additional for LDCs/SIDs/SUZs).
 - Solar water heaters;
 - Solar lamps; and
 - Clean and energy efficient cook-stoves.



Subsequent work and timelines

- A revision to the TOOLI21 is recommended by the MP for consideration by EB99. No further work is envisaged.
- For the other technologies (i.e. Solar water heaters, Solar lamps, Clean and energy efficient cook-stoves), the MP will propose revisions to related methodologies subject to the mandate by the Board.



Thank you



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