



# CDM Baseline and Monitoring Methodologies: Lessons for Future Mechanisms

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CDM EB Side Event

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# Context

- Activity- and sector-specific knowledge in CDM methodologies, baselines and methodological tools
  - Decision 3/CMA.3, para. 5 gives mandate for the Supervisory Body (SB) to:
    - Review CDM baseline and monitoring methodologies for applying them with revisions to 6.4 activities
    - Review the CDM sustainable development (SD) tool
  - SB 2024 workplan foresees a first concept at SB010
- Strike the right balance:  
Building on existing structures and lessons learned while operationalising stringent new requirements under Article 6.4

# Lessons from CDM methodologies

## Additionality determination

- Information asymmetry in barrier analysis  
→ barrier test not sufficient
- Investment analysis key test but gaming of parameters  
→ specific guidance required (incl. conservative default parameters)
- Problematic interpretation of “E+ and E- policies” rule  
→ all policy instruments to be taken into account
- Narrowly defined and regularly updated positive lists required

## Quantification of emission reductions

- Key risk: Overestimation of results!  
  
→ Use conservative default values  
→ Regularly update methodologies (with new scientific findings)  
→ Systematically assess overall uncertainty of mitigation outcomes and adapt the level of conservativeness accordingly

# Future applicability of CDM methodologies

- New methodology development time-intensive & costly
- Existing methodologies and methodological tools provide a well-established structure

→ Revisions of elements that are not aligned with the new Article 6.4 methodological requirements

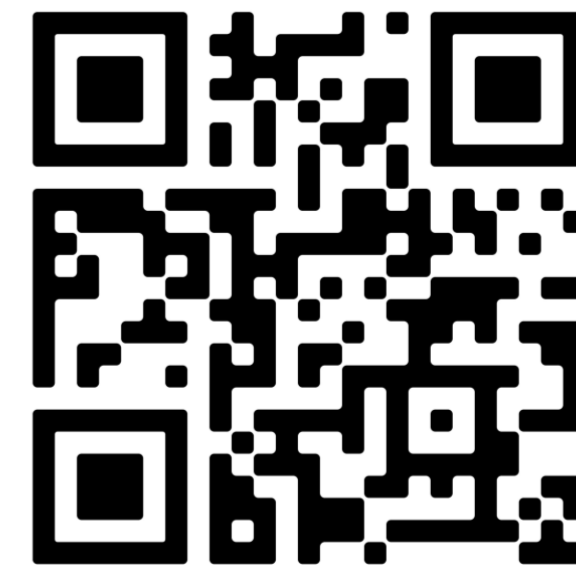
# Article 6.4 requirements

## New requirements going beyond those of Kyoto

- Encouraging ambition over time
- Be conservative, credible and below BAU (incl. specific baseline setting approaches)
- Alignment with the Paris Agreement's long-term temperature goal
- Aligning with the NDC, LT-LEDS and the long-term goals of the Paris Agreement
- Taking into account policies and measures
- Additionality determination to show that activity would not have occurred without the mechanism's incentives

# Responding to new requirements

- Revising CDM methodologies based on the recommendation on methodologies and removals and/or application of tools
  - SB to develop multiple tools: baseline tool, suppressed demand tool, additionality tool, leakage tool, reversal risk assessment tool
- Independent International Initiative for Development of Article 6 Methodology Tools (II-AMT) currently piloting developed Art6 tools





# Thank you!

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