Working Group 5

Compatibility of ISO 14064 and other regimes (Kyoto and EU ETS)

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Overview

- ISO 14064 Part 2 – CDM:
  - Scope
  - Principles
  - Project Cycle
  - Additionality
  - Leakage
  - Reporting
- ISO 14064 Part 2 - EU ETS

Scope

"ISO 14064 is GHG programme neutral. If a GHG programme is applicable, requirements of that GHG programme are additional to the requirements of ISO 14064.

NOTE If a requirement of ISO 14064 prohibits an organization or GHG project proponent from complying with a requirement of the GHG programme, the requirement of the GHG programme takes precedence."

-> CDM requirements will most likely be additional rather than conflicting!

Principles

ISO 14064:	**CDM:**
	Criteria with regard to baseline and monitoring:
Relevance	Relevance (Appendix C b.vi)
Completeness	Completeness (Monitoring Annex 57), Boundary –Leakage (Annex 52 & 53)
Consistency	Consistency (Appendix C a.ii)
Accuracy	Accuracy (Monitoring, Annex 57)
Transparency	Transparency (Annex 45b)
Conservativeness	Conservativeness (Annex 45b)
	Rigour (Appendix C a.iii)
	Comparability (Monit., Appendix B h.i)
	Cost effectiveness (Monit., Appendix C b.iii)

Project cycle

ISO 14064:

GHG project plan:
Description of the project

Identification of relevant SSR

Determine baseline scenario and identify SSR

Establish monitoring procedures

Quantify emissions and/or removals

Quantify reductions and/or removal enhancements

Manage data quality

Document the GHG project

Validation and/or Verification

GHG report

CDM:

Project Idea Note

Project design

Ex-Ante-data:
Project Design Document

Validation

Approval Host / Investor Party by Designated National Authority (DNA)

Registration

Project implementation

Ex-Post-data

Monitoring

Verification and Certification

CER-Issuance

Project Cycle

- ISO 14064
  - does not include registration and issuance of credits -> up to regime
  - "project cycle" (chapter sequence) is not chronological and there are linkages between planning and implementation phase
  - Validation and verification are "should" recommendations not mandatory
  - No mandatory stakeholder consultations (if ->relevant outcomes to be included in GHG project plan)
  - No approval by any party
  - No mandatory environmental impact assessment ->if required summary to be included in GHG project plan

Additionality

ISO 14064:

No definition, since term "additionality" is avoided

Concept of additionality included

Assessment of additionality through project based baseline

CDM:

Definition (Annex 43)

Additionality test (not mandatory) developed by Executive Board

Additionality is assessed through the baseline approach which includes a justification of the appropriateness. Three approaches include "economic assessment"

Rigorous additionality assessment by Executive Board: almost half of 74 proposed baseline methodologies rejected or required modifications (Feb. 2005)

Relevant SSR, Leakage, Boundary

ISO 14064:

<u>Relevant</u> sources, sinks and reservoirs

Controlled: whose operation is under the direction and influence of the project proponent through financial, policy, management or other instruments

Related: that has material or energy flows into, out of, or within the project

Affected: influenced by a project activity through changes in market demand or supply for associated products or services or through physical displacement

- **CDM:**

  Leakage: net change outside the project boundary which is measurable and attributable to the CDM project activity.

↔ **Directly attributable** (*inside* project boundary)

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Leakage (*outside* the project boundary) has to be taken into account if emissions are attributable to the GHG project

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Example: Fuel switch

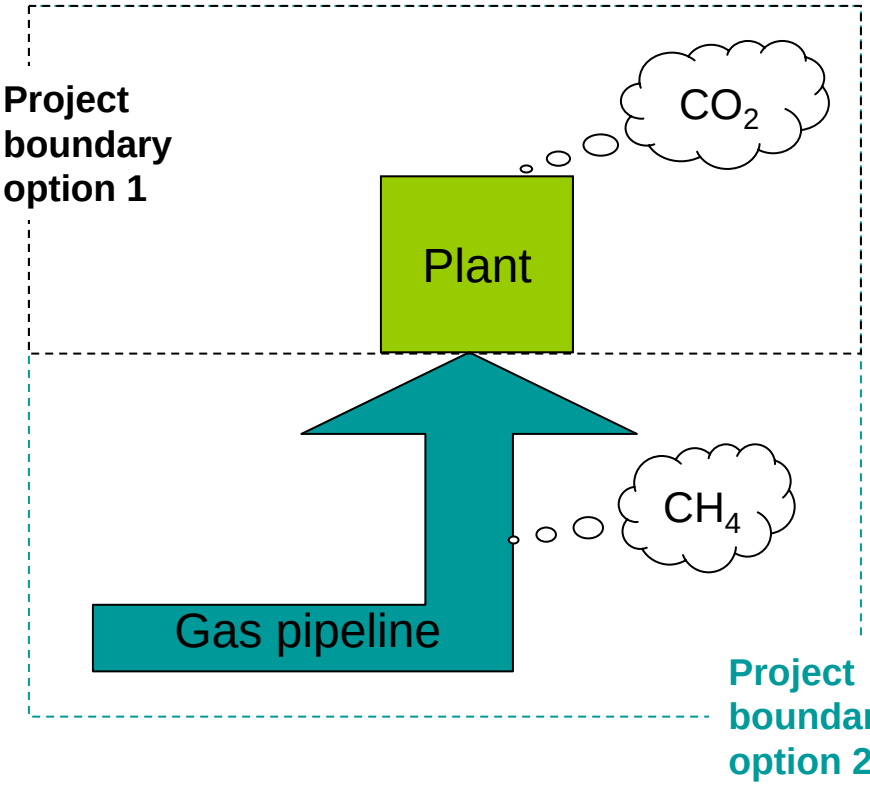
ISO 14064 Part 2

CDM

Controlled source

Related source: material flow

Not relevant GHG source



Directly attributable (inside the project boundary)

Option 1:
Leakage (outside the project boundary) but attributable to the GHG project -> take into account

Option 2:
Directly attributable (inside the project boundary)

Leakage (outside the project boundary) not attributable to the GHG project ->not taken into account

Reporting

ISO 14064:

GHG project plan

GHG report (includes statement on validation and verification and level of assurance) – publicly available if claiming conformance with ISO 14064 Part 2

Confidentiality: no direct mentioning anymore -> national law

CDM:

Approval of **Methodologies**: publicly available

Project design document – publicly available

Monitoring report – publicly available

Verification report – publicly available

Confidentiality: no disclosure without the written consent of the provider of the information, except as required by national law. Information used to determine additionality, to describe the baseline methodology and its application, and to support an environmental impact assessment shall not be considered as proprietary or confidential.

JI first track: No commitment to public reporting

EU ETS- Part 2

- EU ETS: cap and trade scheme started in 2005
- EU ETS is linked to JI/CDM projects: ‘Linking Directive’ entered into force in October 2004
- Linking Directive (2005-2007):
  - Based on CDM and JI rules -> JI rules track 1 may use ISO 14064 Part 2 as basis for national implementation
  - No sink projects (JI and CDM), nuclear and big hydro
  - No domestic project so far (review) -> potential use of ISO 14064 Part 2

Conclusions

- CDM specific explanations are given in Annex A of ISO 14064 Part 2
- Some differences, however compatibility since ISO 14064 is broader and more general
- CDM includes more principles
- CDM uses different concept to "Identification of relevant Sources, Sinks and Reservoirs" but same result
  - CDM: leakage and boundary
  - ISO 14064 Part 2: relevant SSR
- CDM more and earlier public reporting requirements
- Within EU ETS most likely no use of ISO 14064 Part 2, however potential use in relation to JI first track and in the future related to domestic projects.