



***VCS Terms of Reference:***

**Steering Committee on Streamlined  
Approaches for Setting Baselines and  
Assessing Additionality**

## **VCS Terms of Reference: Steering Committee on Streamlined Approaches for Setting Baselines and Assessing Additionality, v1.0**

**20 May 2010**

### **1. Introduction**

This document presents the terms of reference for the Steering Committee that the Voluntary Carbon Standard Association (VCSA) is establishing to provide guidance and requirements to support the development of streamlined approaches for determining baselines and additionality, namely performance benchmarks and technology tests.

### **2. Background**

In order to determine GHG emission reductions or removals from GHG mitigation activities, such as projects developed under the Clean Development Mechanism (CDM), Joint Implementation (JI), Voluntary Carbon Standard (VCS) or the Climate Action Reserve (CAR), an emission baseline needs to be defined. The GHG emission reductions or removals after implementing a mitigation activity are compared against such a baseline to determine the GHG emission reductions or removals resulting from the activity.

The approach for establishing emission baselines is typically project specific, which is to say that an emission baseline is determined based upon the specific context of the project, such as historical performance where the GHG mitigation activity is implemented.

An emission baseline describes the GHG emission reductions or removals that would have occurred in the absence of the project. As part of the determination of the emission baseline, it also needs to be demonstrated that the project is not itself the most likely baseline scenario. The GHG emission reductions or removals can only be considered additional if the project itself is not the most likely baseline scenario. Additionality is a key requirement for most GHG programs.

The determination of an emission baseline and the assessment of additionality on a project-specific basis do not always deliver the desired results. For example, generally, renewable energy cannot compete with conventional thermal power plants in the developing world. When additionality is assessed on a project-specific basis, all renewable energy projects are typically found to be financially unattractive and thus additional. However, some renewable energy projects would undoubtedly have been implemented in the absence of carbon finance, since projects were implemented before the introduction of GHG markets. It is challenging to distinguish the projects that would have been implemented anyway and furthermore, determining additionality on a project-specific basis can also be time-consuming and expensive.

A promising alternative to determining baselines and assessing additionality on a project-specific basis is to use performance benchmarks and technology tests to assess additionality in a wider context. A performance standard approach requires projects to demonstrate that emissions generated (or carbon sequestered) per unit of output by the project are below (or above, for sequestration) the level that has been approved as a benchmark under the GHG program for the product, service, sector or industry. The level at which the performance benchmark is set must ensure that the project is not business as usual (BAU). A technology test requires that projects using less emissions-intensive

technologies meet certain performance criteria, which when met results in crediting up to a pre-determined threshold (e.g., market penetration) that ensures that the project is not BAU.

Some sectoral baselines have already been developed, such as the initiative by the Cement Sustainability Initiative<sup>1</sup> (CSI) under the World Business Council for Sustainable Development (WBCSD) and the protocols developed under CAR. The CSI has proposed a baseline methodology<sup>2</sup> for the CDM which, if approved, could be applied by CDM projects in the cement industry. The key feature of this methodology is that emission intensities are defined for cement production in different regions and the emission intensities of the most efficient cement plants are applied both to determine the emission baseline and assess the additionality of a proposed cement CDM project. CAR protocols also use a performance standard approach in the assessment of additionality.

The VCS currently allows performance standard and technology test approaches to assessing baselines and additionality. However, there is currently no specific guidance that developers can use to develop such approaches under the VCS double approval process. The VCSA would like to convene a steering committee that will draft the guidelines needed to enable the development of these approaches under the VCS.

### **3. Proposed Activities of the Steering Committee**

In order to move beyond project-specific baseline and additionality approaches, there is a need to develop guidelines to facilitate the development of performance benchmark and technology test approaches. The guidelines will be targeted at two particular groups. First, developers who need further guidelines if they are to develop methodologies that use such approaches. Second, validation/verification bodies who need further guidelines if they are to be able to assess these new methodologies (as they do under the double approval process), validate projects that use these new methodologies and verify the corresponding GHG emission reductions or removals.

The steering committee will take the lead and responsibility for developing these guidelines. The chair of the steering committee will act as a project manager for their development and the steering committee will coordinate with existing and emerging initiatives on the subject of performance standard and technology test approaches and will work with leading actors in the space to analyze all relevant information.<sup>3</sup>

The steering committee's deliverables will be phased, to ensure that the guidelines can be provided to the market in a timely manner. Deliverables would be prioritized as follows:

- 1) General guidelines for the development of performance benchmarks and their underlying baselines. These guidelines would be applicable to all types of performance standard approaches.
- 2) Specific guidance and requirements for the development of sector-specific baselines and performance benchmarks.
- 3) Specific guidance and requirements for the development of national or regional baselines and performance benchmarks.

---

<sup>1</sup> <http://www.wbcscement.org>

<sup>2</sup> "CDM methodology for cement and clinker production facilities based on benchmarking", proposed CDM methodology NM302 available at: <http://cdm.unfccc.int/methodologies/PAMethodologies/publicview.html>

<sup>3</sup> This will entail analysis of work being done on sectoral and national baselines, since this is intrinsic to the development of performance benchmarks.

- 4) Guidance and requirements for the development of technology test approaches to baseline and additionality determination.

In each of the above, the guidance will be comprised of two components:

- 1) Guidance needed in order to facilitate the development of performance standard and technology test approaches. This guidance would be informational in nature and would set out best practice in the area. It would be provided in the form of a VCS guidance document that would evolve as a living document as guidance on each of the areas noted above is developed.
- 2) Requirements needed in the form of VCS rules applicable to the development of such approaches and their approval through the double approval process. New methodologies that use performance standards or technology test approaches would need to meet these rules if they are to be approved under the double approval process. There may also be a need to develop rules with respect to the validation and verification of projects using these new methodologies.

#### **4. Membership and Process for Establishing Steering Committee**

An open call for members is being used to identify members for the steering committee. Applicants are asked to send their CV and a short outline of their credentials for membership to [secretariat@v-c-s.org](mailto:secretariat@v-c-s.org) by 18 June 2010.

The steering committee will be comprised of 12 members, with broad involvement sought to represent the perspectives of methodology/project developers, environmental non-profit organizations, government, GHG program regulators, validation/verification bodies and business. Applicants will be chosen for the steering committee according to their expertise and experience and to ensure that the full range of interests and perspectives is represented.

#### **5. Time Commitment and Budget**

It is anticipated that the steering committee will be operational for two years and the total time required by each steering committee member is estimated to be approximately 180 hours per year, as follows:

- 1) One to two face-to-face meetings per year. Total time commitment per member will be 24 hours: four hours preparation and eight hours for each meeting.
- 2) Ten monthly conference calls. Total time commitment per member will be 60 hours: four hours for preparation and follow-up and two hours for each conference call.
- 3) Reviewing and commenting on text produced by the chair of the steering committee. Total time commitment per member will be 96 hours, which is one person-day per month.

In addition, the chair of the steering committee will spend approximately 288 hours (36 person-days), which is three person-days per months each month, for consolidating information, preparing draft documents and organizing steering committee meetings and telephone conferences.

All steering committee members would work on the committee on an unpaid basis, however the VCSA is pursuing funding options and if it secures funding, the chair (for its incremental time fulfilling

the role of chair) and members who work for academic and non-profit organizations will be compensated for their time at the rate of USD 125 / hour.

The steering committee is also expected to have a budget of USD 15,000 to cover expert honorariums to comment on and support drafting of guidelines.