CDM: Proposed new methodology - public comment form (Version 05.1)

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Based on an assessment of the CDM-NM and its application in sections A to C of the draft CDM-PDD, provide your comments to the proposed new methodology. Please indicate the sections or issues to which your comments refer.

Dear Methodology Panel members,

As an expert reviewer for two previous versions of this methodology I recommend that those methodologies not be accepted on the basis that they did not accurately estimate the change in emissions caused by these projects or appropriately test the additionality. Some of the problems I raised are not resolved in the currently proposed methodology, NM0358, and I believe it would be a mistake for the methodology panel to accept this methodology as it is currently written.

1. First, the methodology panel should understand that grid interconnection is common practice and cost effective. Grid interconnection is already happening in all regions of the world, and plans exist in all regions to expand interconnection networks.[1] [2] Interconnection provides many benefits to the participating grids, including requiring less total reserve capacity, load diversity, greater diversity of generation, and the ability to use lower cost generating facilities, and is often cost effective,[2] including throughout Africa.[3] Interconnection lines are large infrastructure projects, whose pace of development are commonly decided by governments and large international finance institutions rather than by private companies and private banks. Additionality testing simply does not work in this context. It is difficult to quantify the various financial, energy reliability, and political benefits of these projects in an investment analysis. Interconnection lines do have many common barriers, including high capital costs and technological barriers, yet these barriers have been overcome in the development of existing interconnection lines in all regions of the world. Common practice and first of its kind analyses are also inappropriate indicators of future development, since it is those borders that do not already have an interconnection line where new expansion will be targeted. If the methodology panel allows interconnection lines to be an accepted CDM project type using the additionality tool to test additionality, the panel is opening the door for the registration of large-scale non-additional projects under the CDM.

[1] Maps of current interconnection and future plans can be found on the website of the Global Energy Network Institute: http://www.geni.org/globalenergy/library/national_energy_grid/index.shtml

[2] United Nations. 2006. *Multi Dimensional Issues in International Electric Power Grid Interconnections.* New York.

[3] Vivien Foster and Cecilia Briceño-Garmendia eds. 2010. *Africa's Infrastructure: a Time for Transformation.* The International Bank for Reconstruction and Development / The World Bank. Washington DC.

For example, in Africa, the Southern, West, East, and Central African Power Pools are at various stages of being developed. In east Africa, the region of the project submitted with the proposed methodology, the Eastern African Power Pool (EAPP) and East African Community (EAC) Regional Power System Master Plan and Grid Code Study[4] lists twelve interconnection lines in the east Africa region that are being considered. Ten are assessed in this study to be economically viable. The transmission line linking Ethiopia and Kenya is estimated to have an IRR of 15.3%, and the returns for a number of other projects are expected to be even higher.

The methodology should not be accepted on the basis that interconnection expansion is common practice around the world and the additionality tool is particularly ineffective for this project type.

As a secondary point, the first-of-its-kind analysis which allows all such projects to be considered additional is inappropriate for this project type, since those borders and countries that are not already interconnected are prime candidates for future interconnection. First-of-its-kind is not a good predictor of where projects are not likely to be built in the future for this project type.

2. Second, this methodology contains two shortcomings with regard to how it calculates emissions reductions that risk double counting and over-crediting:
   a. The methodology would double credit grid-connected CDM projects in the exporting country. Paragraph 81 on page 17 excludes registered CDM projects from the built margin and operating margin calculations, but this is insufficient to prevent the double counting of electricity generation from CDM projects in the exporting country. **Instead, the amount of electricity generated by any CDM project in the exporting country would need to be deducted from the total amount of electricity credited on the interconnection line.** For example, under the proposed methodology, if Ethiopia were to register a new large hydropower project under the CDM, as well as an interconnection line between it and Kenya, the electricity from that large hydropower project could be credited under both projects. It would be credited for displacing electricity within Ethiopia as an individual CDM project. But that same electricity could be credited under the transmission line if it increases the amount of electricity available to export to Kenya, to be credited at the emissions factor calculated for the Ethiopian grid.
   b. While the methodology tests for the re-export of electricity imported by the importing grid, it does not test for electricity imported by the exporting grid and exported through the new interconnection line. For example, if an interconnection line is built between Sudan and Ethiopia, a new coal fired power plant could potentially be built in Egypt or Sudan, for export to Ethiopia and re-export to Kenya. **The increase of imported electricity into the exporting grid should be monitored and accounted for, just as an increase in exported electricity is monitored and accounted for from the importing grid.**

Many thanks for considering these comments,

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[4] SNC Lavalin International Inc. May 2011. Eastern African Power Pool (EAPP) and East African Community (EAC) Regional Power System Master Plan and Grid Code Study.

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History of the document

Version	Date	Nature of revision
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05	EB 25, Annex 14 21 July 2006	Revised to reflect the structure of the new baseline and monitoring form.
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03	EB 10, Annex 04 29 July 2003	Alignment of form.
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