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GHG PROTOCOL INITIATIVE

Emerging Project Accounting Standards & Guidance

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Project Accounting Standard - Motivation

The absence of clear international accounting rules for GHG mitigation projects under different trading programs and initiatives





Purposes of the Project Accounting Standard

- Simplify quantification process while improving quality & credibility
 - Reduce transaction costs and uncertainty for project developers
 - Increase accounting consistency between different trading programs
 - Increase investor confidence & facilitate trades
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What the Project guidelines will cover

- Introduction to GHG project accounting
 - GHG project accounting principles & their application
 - Generic procedure for quantifying project reductions including baseline selection & how to identify & assess secondary effects
 - Project Typology - project specific guidance for different project types
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What is additionality, why does it matter?

- Criterion to assess and justify whether or not the GHG reduction would have occurred in the absence of the project
 - Additionality is important when a GHG reduction is used as an offset against a mandatory or voluntary cap
 - Demonstrating additionality ensures environmental integrity of the reduction when used as an offset
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Key steps in project accounting

1. Describe project & primary reduction(s)
2. Check eligibility
3. Apply regulatory additionality screen
4. Select baseline for primary reduction(s)
5. Identify & quantify relevant secondary effects
6. Estimate project reduction
7. Develop Monitoring plan





1. Describe project: Typology

Project specific
guidance for
project
developers &
regulators

- Energy & Power
- Industrial Projects
- Fugitive Emissions Capture
- Agricultural Projects
- Carbon Sequestration





2. Check eligibility

Different programs have different eligibility requirements:

- Allowable project types, locations, timing of project, etc.

Or must demonstrate:

- Contribute to sustainable development objectives
- Financial additionality – financing is additional to ODA and funding from multi-lateral organizations
- Investment additionality
- Host government approval





3. Apply regulatory screen

- A simple surplus to regulation additionality screen
- Eliminates projects being undertaken to come into compliance with regulations e.g. capture of landfill gas is required at NSPS & NESHAPS landfill sites





4. Select baseline for primary reduction(s)

Guidance provides 3 alternative approaches (emissions additionality is embedded in each approach):

1. Retrofit baseline (only applicable to retrofits)
 2. GHG performance standard (benchmark approach)
 3. Project specific baseline
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5. Identify & quantify relevant secondary GHG effects

- Secondary GHG effects include leakage and life cycle effects
- Simple screens help identify any secondary effects (positive/negative) that can be reasonably attributable to the project
- Guidance on quantifying & assessing the relevance of secondary effects





6. Estimate the GHG reduction

1. Calculates the expected (ex-ante) GHG reduction
 2. Applies an equivalence principle for project & baseline cases
 2. Calculates reduction as the difference between the project and baseline emissions taking into account any relevant secondary effects
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7. Develop monitoring plan

- Builds on & complements baseline selection procedure & assessment of secondary effects
 - Lists parameters that must be monitored
 - Provides calculation sheet for project
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Typology provides project specific information

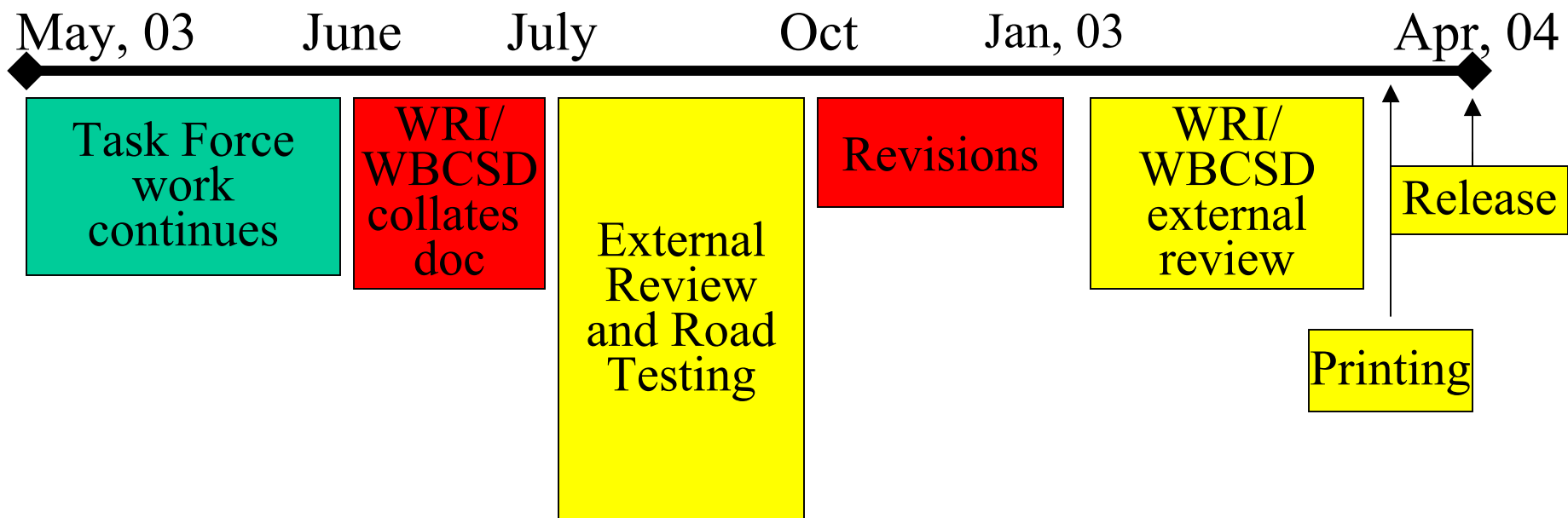
Issues addressed by Typology include:

- Sub-category definitions
- Description of primary reduction
- Eligibility issues
- Secondary effects
- Baseline setting issues
- Monitoring tools





Project Module Timeline





GHG Protocol Initiative

Thank You

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Selecting a baseline: project specific approach

1. Identify baseline candidates
2. Apply baseline tests:
 - barriers assessment
 - investment ranking
3. Select *most likely* baseline candidate





Selecting a baseline: GHG performance standard

Establish a performance standard applicable to a specific category of projects

1. Choose time period for selecting baseline candidates e.g. recently constructed sites, or sites under construction
 2. Define geographical area for selecting candidates
 3. Select sample for constructing performance standard
 4. Decide on level of stringency e.g. average, better than average, best in class etc.
 5. Construct the performance standard
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