ENERGY DEMAND GROUP

RECOMMENDATION

1. The reliable national and, if appropriate, regional sectoral data on **energy efficiency and consumption trends** are useful for identifying potential projects and developing baselines for greenfield projects. International efforts should be extended and strengthened, particularly in CDM/JI host countries where the relevant data are not available.

2. The Group considered a possible **categorization of the energy efficiency projects** as follows[1]:

		Greenfield investment (New construction, installation)	Retrofit	Process and system management improvement
Residential	Lighting	X	X	
	Heating/cooling	X	X	
	Household appliances	X	X	
	Insulation	X	X	
Commercial/ Institutional	Lighting	X	X	X
	Heating/cooling	X	X	X
	Building envelope	X	X	
	Motors, equipment	X	X	X
Industry		X	X	X
Agriculture		X	X	

3. The Group agreed that there is no single **project baseline unit** that can be standardized. Therefore, depending on the project, both the absolute and rate baseline units can be considered. Relevant standardised emissions factors from electricity production should be used in the calculations.

4. The Group concluded that the **determination of the environmental additionality** is the crucial element of the baseline calculations. This requires that free-rider, spill-over and other energy use baseline issues be addressed. Methodological development is needed to address other environmental impacts and sustainability.

5. The **definition of the "small size project"** needs further analysis. It would be useful to have standardised approaches to allow small energy efficiency projects to move quickly through an approval process. There was a suggestion that projects below 5 MW could be considered as "small size project" but the limit should be large enough to keep transaction costs per unit of emissions reduced low.

6. **Formula or algorithm used in determination of the reduction of the energy use** from the energy efficiency project can be standardized for different project types identified in Recommendation 2. However, parameters of the formula (i.e. operating and maintenance parameters, activity levels etc.) are more difficult to standardize and may require project specific data.

7. **The geographic boundaries of the projects** are usually defined by the locations where the project is implemented. For developing baselines, in-country and regional differences should be considered. In the case of greenfield investments there is a need for reliable national database. Further analysis should be made in order to specify the common elements of the national database, particularly in CDM/JI host countries.

8. The Group agreed that the **technical lifetime of the projects** can be estimated. There is also common view that the technical lifetime of the project may not be the same as the crediting period. Nevertheless, the baseline methodology should remain unchanged during the crediting period.

9. In the baseline calculations **all the gases** controlled by the Kyoto Protocol should be considered.

10. The **indirect effects of the project** (i.e. leakage issue) should also be assessed.

11. In the case of greenfield projects the **baseline technology can be taken as an average technology or standards** used over a specified time period (e. g. last one-year for the new buildings).

[1] The project types in Industry and Agriculture need to be further elaborated. Transport sector, although relevant, is not included here as it was discussed by the transport sub-group.