

CDM project activities must result in reducing or absorbing (sequestering) GHGs that are real and measurable and would not have occurred in the absence of the proposed project activity (additionality) (UNFCCC 2001b, 20).

In other words, to qualify for credits, a project activity must demonstrate that GHG emissions were reduced against the “baseline scenario,” a representation of GHG emissions under normal circumstances.

Another important aspect of the CDM is that proposed CDM project activities must demonstrate their contributions to environmental integrity and the host country’s sustainable development goals (UNFCCC 2001b, 20). Reducing GHG emissions alone may not suffice to meet this requirement.

Many host country governments provide information on their prerequisites, often referred to as “sustainable development criteria”

**Baseline criteria:** The project proposal must clearly and transparently describe methodology of determination of baseline. It should confirm to following:

- Baselines should be precise, transparent, comparable and workable
  - Should avoid overestimation
  - The methodology for determination of baseline should be homogeneous and reliable
  - Potential errors should be indicated;
  - System boundaries of baselines should be established;
  - Interval between updates of baselines should be clearly described;
  - Role of externalities should be brought out (social, economic and environmental);
  - Should include historic emission data-sets wherever available;
  - Lifetime of project cycle should be clearly mentioned
- The project proponent could develop a new methodology for its project activity or could use one of the approved methodologies by the CDM Executive Board. For small scale CDM projects, the simplified procedures can be used by the project proponent. The project proposal should indicate the formulae used for calculating GHG offsets in the

project and baseline scenario. Leakage, if any, within or outside the project boundary, should be clearly described. Determination of alternative project, which would have come up in absence of proposed proposal.

**Sustainable Development criteria:** It is the prerogative of the host Party to confirm whether a clean development mechanism project activity assists it in achieving sustainable development.

The CDM projects should also be oriented towards improving the quality of life of the poor from the environmental standpoint.

Following aspects should be considered while designing CDM project activity:

- Social well being: The CDM project activity should lead to alleviation of poverty by generating additional employment, removal of social disparities and contribution to provision of basic amenities to people leading to improvement in quality of life of people
- Economic well being: The CDM project activity should bring in additional investment consistent with the needs of the people
- Environmental well being: This should include a discussion of impact of the project activity on resource sustainability and resource degradation, if any, due to proposed activity; bio-diversity friendliness; impact on human health; reduction of levels of pollution in general;
- Technological well being: The CDM project activity should lead to transfer of environmentally safe and sound technologies that are comparable to best practices in order to assist in upgradation of the technological base.

The transfer of technology can be within the country as well from other developing countries also.

**Additionality Requirements:** Additionality is a concept closely related to baseline, which project participants need to pay particular attention in establishing a baseline and devising baseline methodologies.

According to the Marrakech Accords, a CDM project activity is additional if anthropogenic emissions of GHGs by sources are reduced below those that would

have occurred in the absence of the registered CDM project activity [CDM M&P, para43]. Project participants shall provide an explanation to show that the project activity would not have occurred anyway due to at least one of the following barriers:

- Investment barrier : a financially more viable alternative to the project activity would have led to higher emissions;
- Technological barrier : a less technologically advanced alternative to the project activity involves lower risks due to the performance uncertainty or low market share of the new technology adopted for the project activity and so would have led to higher emissions;
- Barrier due to prevailing practice: prevailing practice or existing regulatory or policy requirements would have led to implementation of a technology with higher emissions;
- Other barriers: without the project activity, for another specific reason identified by the project participant, such as institutional barriers or limited information, managerial resources, organizational capacity, financial resources, or capacity to absorb new technologies, emissions would have been higher.