



## In Simple Terms: Additionality

### The concept of additionality in the regular CDM and JI market

The concept of *Additionality* is tricky. It means that a CDM or JI project must achieve emissions reductions that are additional to what would have happened without the project. In other words, project developers have to look in the future and propose a **baseline scenario**. They compare the baseline to the actual project results, and then they get credits for the difference between the two. Of course, the baseline scenario and the actual project results have to be checked by an independent third party (also known as a Designated Operational Entity, DOE). A third party check is required for ALL carbon finance projects under the Kyoto Protocol, in order to make sure that claims regarding additionality are real.

Why is additionality so important? The concept of additionality is at the core of the Kyoto Protocol and the whole mission to stop climate change. The purpose of the CDM, JI and voluntary markets is to create a market incentive for the world to emit less greenhouse gases than normal. Without additionality, the carbon market is meaningless. So additionality is a hard-to-prove but essential-to-have aspect of a carbon project.

To satisfy the additionality requirement, project proponents need to show that:

1. The project would not have occurred without the CDM-JI due to financial, political or other barriers (i.e common practices)
2. The project goes beyond a business as usual scenario
3. Greenhouse gas emissions are lower with the project than they would have been without the project (in other words, project emissions are less than the emissions projected in the baseline scenario).

In order *to make it easier* for the project developer to demonstrate these three points, the UNFCCC created an optional “additionality tool.” See the tool on page 2.

The **ONLY** difference between the Gold Standard and a regular project is that **Gold Standard** insists you use the additionality tool, whereas in a regular CDM or JI it is an optional way to prove additionality. In other words, the Gold Standard additionality test does not add anything to the standard requirement.

Indeed, using the tool might save you time. It provides a straightforward way to prove a complicated concept!

N.B. – Currently, a new tool for selection of baselines is developed by the UNFCCC, which will eventually be merged with the additionality tool. The Gold Standard will adopt these changes once implemented.

Step 0: Preliminary Screening based on start date

Step 1: Identification of Alternatives

Step 2: Investment Analysis

OR

Step 3: Barrier Analysis

Step 4: Common Practice

Step 5: Impact of CDM registration

Project Activity is Additional

**Brief explanatory notes from the Gold Standard:**

**Step zero:** Show that carbon finance was a driving factor in the decision to move ahead with the project. The Gold Standard requires a statement on “previous announcements.” Was the project formally announced before the idea of carbon finance came into the picture? If so, the project is not additional.

**Step one:** Identify realistic and credible alternative(s) available to the project participants or similar project developers that provide outputs or services comparable with the proposed CDM project activity. If there is no alternative, the project is not additional.

CHOOSE, *either Step two OR Step three*

**Step two:** Show that the project, without the sale of carbon credits, is not the most economically attractive.

Or

**Step three:** Show that other barriers would prevent the project from occurring without carbon credits. For example, perhaps there is a prevailing practice of using oil (even if wind farms cost less in the long run), or perhaps the upfront capital costs would be too high without forward finance from a carbon credit buyer. Many Gold Standard projects go this route, because in the long run efficiency projects make good economic sense!

**Step four:** This is a complimentary test to step three, really. Check and make sure that the project idea isn't common practice in the country – if similar projects are being widely carried out, it calls into question that the project is additional.

**Step five:** Explain how the achievement of CDM or JI registration, and the acquisition of carbon credits, will enable the project to jump over the hurdles identified in the previous steps.

Documentation regarding these five points should be included in the regular Project Design Document. Following DOE and Executive Board approval, the project is additional according to the Gold Standard. The additionality tool is fully explained by the UNFCCC, kindly refer to

[http://cdm.unfccc.int/methodologies/PAmethodologies/AdditionalityTools/Additionality\\_tool.pdf](http://cdm.unfccc.int/methodologies/PAmethodologies/AdditionalityTools/Additionality_tool.pdf).

For further information, contact: [info@cdmgoldstandard.org](mailto:info@cdmgoldstandard.org) or visit, [www.cdmgoldstandard.org](http://www.cdmgoldstandard.org).