

Agenda item 4.1.

Paragraph 23 of the annotated agenda

Proposed work on market share, market saturation and penetration rate

CDM EB 101

Katowice, Poland, 26 to 29 November 2018



Procedural background

- The Board at EB100
 - a) Considered MP's request to provide a mandate to expand the concept of **market share to include the penetration rate as an additional element to determine additionality.**
 - b) Requested MP to further **explain the scope, timelines and outputs** of the proposed work in a concept note.
 - c) Under the above context, requested information **on definitions, use of, and rationale for the critical thresholds** applied in methodologies and tools, inter alia those used for additionality and common practice.



Purpose

- Explain the rationale, scope, timelines and outputs of the proposed work as recommended by MP;
 - a) to **explore alternatives** and recommend approaches to set the values used for market share /market saturation /penetration rate for additionality incl. first of its kind and common practice analysis
 - b) With a view **to expand and simplify the assessment of additionality and common practice** in many methodologies without **affecting environmental integrity**.



Key issues

- The MP observed while reviewing tool 19, tool 21 and methodologies
 - There is a need to ensure consistency amongst the use of below concepts to assist the PP/DOEs;
 - ✓ **market saturation:** a snapshot of the percent of a specific technology in the current stock;
 - ✓ **market share:** fraction of a specific technology in new sales;
 - ✓ **the rate of change of penetration:** e.g., 1 per cent per year increase in market saturation or market share.
 - Penetration, measured by either market share or market saturation, will depend on how the market is defined (e.g. hybrid vehicles with respect to the passenger car market vs entire light duty vehicle market, Fluorescent lighting in residential buildings than in all buildings)



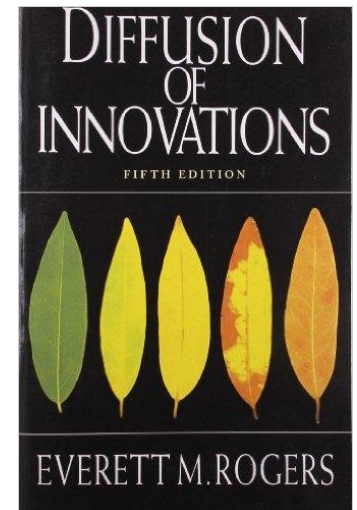
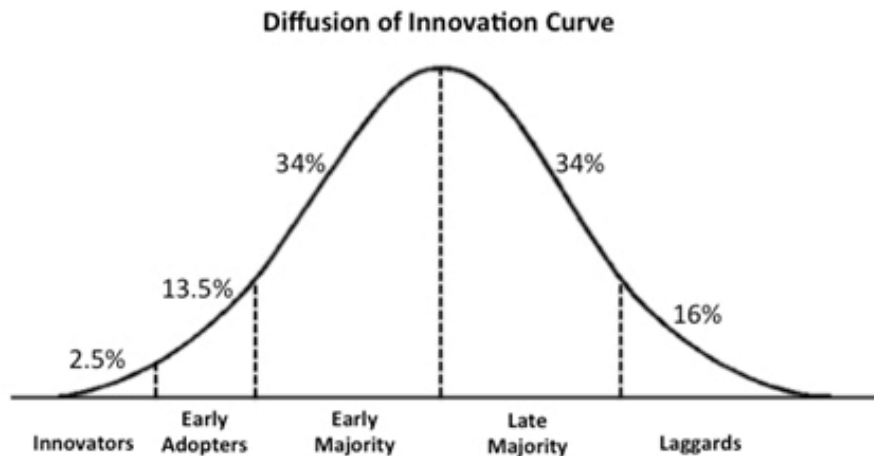
Key issues: some examples

- *ACM0005: Increasing the blend in cement production:* Additionality using FOIK option when it applies a technology that is different from any other technologies, able to deliver the same output (blended cement), if the **market share for blended cement in the host country is below 5%**.
- *ACM0016: Mass Rapid Transit Projects:* Assess if the share of **trips realized on the existing public transport system(s)** in the host city is **less than or equal to 20 per cent of total public transport trips in the host city**. If the share of motorized trips realized on the existing systems **exceeds 20 per cent of total motorized public transport trips in the host city**, then the proposed CDM project activity is not additional.



Key issues: brief literature review

- The MP also considered the following illustration, where the categories of adopters are innovators, early adopters, early majority, late majority, and laggards. Respectively, these categories could be interpreted as the technology in the 2.5% (innovators) range as “first of its kind”; the early adopters (next 13.5%) as those that need to demonstrate additionality, and the late majority as common practice. This is just an example, but further analysis is needed to determine the applicability of this study for different sectors and the appropriateness of existing thresholds currently used in the CDM methodologies and tools.



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Key issues and Proposed solution

With further guidance from the Board, the MP proposes to prepare a concept note that will include:

- a) Information on the previous work undertaken on this issue;
- b) Compilation of existing use of market penetration rates, market shares, market saturation in methodologies/tools and the sources of such requirements;
- c) Propose definitions of market share, market penetration, market saturation and rate of change of market share in the context of the CDM;
- d) Approaches to definition of boundary, technology/product and region in the context of CDM host countries, when defining the above;
- e) Propose an approach and recommend values/rates for market share/ penetration rate/ market saturation linked to additionality and common practice and rationale behind such values;
- f) Evaluation of implications on existing requirements in the first of its kind tool, common practice analysis and methodologies/tools



Impacts

- Improved understanding of market penetration rate, market share, market saturation in the context of the CDM project activities/PoAs and its application when demonstrating additionality and conducting common practice analysis;
- Consistent use of the criteria and thresholds across methodologies/tools where these values will be based on relevant references/sources;
- Consistency amongst the various methodologies and tools, when demonstrating additionality.



Recommendations to the Board

- The MP requests the Board to provide guidance and mandate the concept note described above.

