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|  | CDM: Response form for Request for revision of approved methodologies (version 01.1) |
| Date of Meth Panel meeting: | 23 - 27 June 2008 |
| Title and number of Request for revision | Revision to extend AM0048 applicability to include the cogeneration project type of supplying steam and electricity to newly introduced project customers. AM_REV_0092 |
| Summary of the query: Please use the space below to summarize the request for revision on the related approved methodologies. | |
| <p>AM0048 “New cogeneration facilities supplying electricity and/or steam to multiple customers and displacing grid/off-grid steam and electricity generation with more carbon-intensive fuels” is applicable to fossil-fuel-fired cogeneration project activities that supply steam and electricity to multiple customers, including both grid and off-grid applications, limited to the existing capacity available at customers prior to the implementation of the project activity.</p> <p>The request for revision seeks to expand the applicability of AM0048 to project activities that supply not only existing customers but also new customers. The proposed project activity is the installation of a new cogeneration plant, using liquefied natural gas as fuel, to supply electricity to the grid and heat to households through a district heating system. The project activity supplies steam and electricity not only to existing demand in the region but also to new demand.</p> <p>This request for revision is based on the request for revision AM_REV_0085, submitted previously by the same project proponents, with the same objective, although with a different approach. The recommendation of the Meth Panel for that request for revision was not to revise the methodology because more conservative approaches were required to select the baseline and calculate the baseline emission factors for heat and electricity supplied by the project activity. Project proponents were encouraged to refer to solutions provided in other approved methodologies, namely AM0058 (for heat supplied to a district heating system) and AM0029 (for electricity supplied to the grid), in order to develop a new proposal for the revision of AM0048. This request for revision is the new proposal based on that recommendation.</p> | |
| Recommendation by the Meth Panel: (a) Please use the space below to provide amendments /changes (in your expert view, if necessary). | |
| Not applicable. | |
| (b) Please use the space below for providing guidance, as per Para 93 of EB25 Report, on what type of projects need to revise the PDD as a consequence of the suggested revision, if the recommendation is to revise the methodology. | |
| Not applicable. | |
| Answer to authors of the request for revision by the Meth Panel : Please use the space below to provide an answer to the authors of the above query | |
| The recommendation is not to approve the request for revision. There are still fundamental issues, which should be addressed. They are described below: | |

- In the CDM-NM, in the applicability conditions, project proponents are required to clarify what a new customer is. Is it an additional customer who represents additional demand in the region of the project activity over and above the demand existent previous to the implementation of the project activity? Or, is it an additional customer that substitutes existing customer(s) that may choose not to be supplied by the project activity along the crediting period? Will the new customers be identified *ex ante*, before the start of the project activity and be fixed along the crediting period? Or, will they change during the crediting period and a new baseline would have to be assessed for them on a continuous basis?
- In the CDM-NM, the selection of the baseline for the new customers has to be made on a customer by customer basis, in line with the approach for existing customers in AM0048. Currently the proposal addresses new customers of heat as a whole and new customers of electricity as a whole without detailing who they are and their characteristics. The baseline is then identified as one for new heat customers and one for new electricity customers. That is not adequate. For each existing and new customer of heat, and for each existing and new customer of electricity the baseline has to be identified independently.
- In the CDM-NM, the calculation of baseline emissions for the new customers has to be made on a customer by customer basis, in line with the approach for existing customers in AM0048. Currently the proposal addresses new customers of heat as a whole and new customers of electricity as a whole calculating two single sources of baseline emissions for them. That is not acceptable. For each existing and new customer of heat, and for each existing and new customer of electricity the baseline emissions have to be calculated independently.
- In the CDM-NM, project proponents are required to clarify why it is considered that $BE_{GR}=0$ in the equation which calculates $BE_{IC,y}$ on page 16.
- In the CDM-NM, project proponents are required to clarify why it is considered that $BE_{IC}=0$ in the equation which calculated $BE_{GR,y}$ on page 18.
- In the CDM-NM, the calculation of $EF_{GR,y}$ for new customers (CO2 emission factor for the grid electricity of year 'y' in case of new customers) is not as per AM0029. AM0029 proposes the use of the lowest amongst the build margin calculated as per the tool to calculate the emission factor for an electricity system, the combined margin calculated as per the same tool using 50/50 OM/BM weight and the emission factor of the technology and fuel identified as the most likely baseline scenario. The method proposed in this request is that the lowest amongst the combined margin calculated using different weights for OM/BM is used. Project proponents are requested to explain their rationale and justify their choice, demonstrating whether this approach is more conservative than AM0029 for electricity supply to the grid.
- The CDM-PDD has to be extensively redrafted and revised. Mainly, all information which characterizes the customers that will be served by the project activity and which is required by the current version of AM0048 and the proposed revision should be provided. Otherwise it is impossible to assess the application of the methodology to the proposed project activity. The following information, *inter alia*, has to be provided: who is each one of the customers served by the project activity (existing and new customers), what is the existing capacity of heat and electricity they have (if they are existing), what is the technology and fuels they currently use (if they are existing), what is the demand of heat and/or electricity of each one of them, what is the most likely baseline for each one of them, what is the share of grid supply and on-site supply in each one of them (if any).
- The selection of the baseline in the CDM-PDD has to be revised. Note that AM0048 baseline is defined on a customer by customer basis and this has not been done in the underlying CDM-PDD.

Therefore the methodology has not been correctly applied.

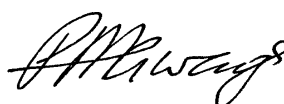
- Project proponents should explain more clearly and in more details the selection of the baseline. The CDM-PDD considers four baselines: (i) for existing customers of heat, the baseline is natural gas boilers; (ii) for new customers of heat, the baseline is coal boilers; (iii) for existing customers of electricity (they are deemed to be all grid connected), the baseline is the grid; (iv) and for new customers of electricity (they are deemed to be all individual project consumers (IC)), the baseline is coal power plant(s). Some questions arise from this assessment of baselines: will all new customers within the category heat consumers be the same and have the same baseline? Will all new customers within the category individual electricity consumers be the same and have the same baseline? Why is natural gas the baseline for heat in case of existing customers and coal, for new customers? Is there no individual electricity consumer in case of existing customers?
- In the CDM-PDD, project proponents are required to clarify how the parameter EL_y (amount of electricity that would be supplied to newly introduced project customers in year 'y') will be monitored, especially if one considers the case of the underlying project activity where the electricity will be supplied to the grid. Please clarify whether the project activity supplies electricity to the grid only or to the grid and individual customers. In case the project activity supplies individual customers, how is the electricity delivered for each independent customer monitored?
- With regard to the previous bullet point, it is contradictory that the project activity is described as supplying electricity to the grid and that the newly introduced customers are deemed to have a baseline which is coal power plants, not the grid. Please, clarify.



Signature of Meth Panel Chair

Date: 27/06/2008

(Akihiro Kuroki)



Signature of Meth Panel Vice-Chair

Date: 27/06/2008

(Philip Gwage)

Information to be completed by the secretariat

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| F-CDM-AM | AM_REV_0092 |
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