



## CDM: Recommendation Form for Small Scale Methodologies (version 01)

*(To be used for presenting questions/proposals/amendments to the simplified methodologies for small-scale CDM project activity categories)*

<b>Date of SSC WG meeting:</b>	24–27 February 2009, SSC WG 19
<b>Title/Subject (give a small title or specify the subject of your submission, maximum 200 characters):</b>	Comments on draft revision of AMS-III.B, version 14, proposed by SSC WG
<b>Indicative methodology to which your submission relates (refer the items of Appendix B of the Simplified Modalities and Procedures), if applicable.</b>	AMS-III.B
<b>Name of the authors of the query:</b>	Isabel Malaga Institution: Deuman S.A.C <a href="mailto:imalaga@deuman.com">imalaga@deuman.com</a>

### **Summary of the query:**

Please use the space below to summarize the query related to SSC methodologies/categories SSC Modalities and Procedures provide recommendation/analysis of the SSC WG.

Original text from PP:

The company Kimberly Clark (KC) in Peru (production of paper for self-care products like tissues and others) has been working hard in developing the first virtual supply of CNG (concentrated natural gas delivered in trucks) in the country. The use of natural gas in Peru started recently in 2004 and there are still many parts of Lima (capital) with no supply by pipelines and with no expectation of having this in several years yet since natural gas has go mostly for energy generation in thermal power plants. In this context one of the facilities of Kimberly Clark has taken seriously the CNG supply technology. For the implementation of the project CDM has been taken into account to overcome barriers. Estimations indicate that the project activity is an SSC one.

The project activity has the following characteristics:

- Plant started operations in year 2000.
- Since 2006 the company was managing and **increase of capacity** (for increment of demand) and this new equipment (one boiler and two dryers) started operations in March 2008. Now are 3 boilers and 4 dryers.
- Baseline fuels are:
  - **Fuel oil** in boilers. Always the only fuel. It is use in the existing and new boilers.
  - **LPG** in dryers (hoods). Used since 2006. The dryers are use to dry the paper final products. This equipment has no connection with the boiler. LPG is the baseline fuel; it is use in the existing and new dryers until the fuel switching is done. No other fuels (besides NG) will be used in these equipments since they produced odours in the final products.
  - **Kerosene** in the dryers. Used only until 2005 (with not significant use in 2006). This fuel will no longer be used at the plant.

- At the moment (August 2008) the company is **still not using CNG**.
- There is a formal meter for billing purposes, and all the equipments inside the plant will have a specific NG meter (for internal monitoring) which can be use to determine the % of total NG used per equipment.

AMS-III.B v 13, states “Multiple fossil fuel switching is not covered under this methodology”. It is not clear to us if this indicates that at the plant (or plants) in the baseline scenario there is only one fuel type, or the switch is only to one fuel type, or if this refers to the use of more than one fuel in one equipment (*Question 1*). Is usual in manufacturing facilities the use of more than one fuel type, since equipment and machinery may require specific fuel conditions. The plant of the proposed project activity do not use more than one fuel in one equipment as established above, fuel oil is used in boilers and LPG in dryers. If the methodology does not cover more than one fuel type plant (or plants) in the baseline scenario, formulas could still apply for the different equipments: baseline emissions for boilers and baseline emission for dryers, treating them as two different small fuel switching projects presented together (bundled). At the end, these emissions will be added to determine the total baseline emissions for the fuel switching project activity at the plant. The projects emissions can be treated in the same way (*Question 2*).

The only similar SSC methodology is the AMS-II.D, but it is said that this category covers project activities aimed primarily at energy efficiency; a project activity that involves primarily fuel switching falls into category AMS-III.B; and AMS-III.B version 12 does not account for the capacity additions.

The questions are:

- 1) What is exactly the meaning of multiple fossil fuel switching in the methodology?
- 2) In case the methodology does not cover more than one fuel type in the baseline scenario (fuel oil and LPG) is the proposed approach and use of formulas acceptable?
- 3) With all the given information, is AMS-III.B v 13 applicable to the proposed project activity?
- 4) In case the AMS-III.B is not fully applicable:
  - Will be enough a deviation or is necessary to send a revision for this methodology?

What methodology is more suitable for this project activity?

Comments to the proposed methodology AMS IIIB (v14)

- 1) In the baseline calculations for Case 1: “More than one fuel during crediting period”:

It is proposed that the determination of the baseline fuel will be determined daily by comparing effective energy cost i.e. by comparing the relative costs to provide the same output by each of the alternative fuels that may be used by the project, based on market costs and efficiency for providing the output of the element process (heat, electricity, etc.) and that the cost information must be taken from credible and verifiable sources.

There could be a problem about daily calculations due to the absence of that kind of information because the majority of companies buy fuel for different periods (i.e. daily, weekly, monthly) since they have tanks to accumulate fuel or areas to pile the coal among others, and the cost can vary according to the quantity purchased and then will not be consistent with the market prices. Many companies sign contracts with suppliers and the agreed cost can be lower than the official reference fuel prices, will last until the contract ends and the price will reflect the circumstances that where valid or expected at the moment of signing the contract. About the credible sources, it is complex to

obtain updated information because invoices, quotes and official institutions not always give daily information and in the majority of cases give monthly information<sup>1</sup>.

The fuel cost depends in different variables and the market price is only one of them i.e. Compressed Natural Gas (CNG) price depends on the distance, the number of shifts, the size of the decompression plant and then the price is set in the contract signed. An official source will have only an average estimated price but may not be the real one for the company (same as with the other fuels). At the moment there are no official information about the CNG prices in Peru since it is very new (legal framework has just been approved).

2) In the determination of additionality, according to the baseline calculation and its daily economic analysis of the fuel cost, the criterion is only economical and it is not closely related with the procedure for the determination of the additionality of small scale project activities in which a barrier analysis, following the *Attachment A to Appendix B*, can be developed as an enough assessment for this kind of projects (many PDDs have been approved using this approach). This attachment establishes that 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:

- (a) Investment barrier: a financially more viable alternative to the project activity would have led to higher emissions;
- (b) 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;
- (c) Barrier due to prevailing practice: prevailing practice or existing regulatory or policy requirements would have led to implementation of a technology with higher emissions;
- (d) 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.

This daily analysis for a small scale project activity requires such extensive economical analysis that could lead to a very complex situation and create discourage in implementing this kind of project activities.

It is not clear for the project developer how the additionality has to be presented and the validity of it. In PDD you determine the start date of the project and analyze the circumstances at the moment of this decision time since the future circumstances are not in your hands (e.g. fuel prices, politic decisions, among others). Then, if you later only claim for emission reductions based on an daily economic calculation, is not clear enough the importance of the previous additionality analysis, since it seems that the additionality is determined every day in an ex-post basis.

The project proponent would like to know if there is another emission reduction determination approach for the AMS IIIB, like in other fuel switching methodologies where the additionality is determined at the start date, the project emissions are the one from the monitored use of the less GHG fuel and the baseline emissions are the ones attributable to an scenario based on real energy consumption or historical consumption. The project proposed is the first of its kind and has helped the development of the legal framework of GNC in Peru, always helped with the support of the CDM benefits in order to reduce the risks of the project and encourage its implementation.

<sup>1</sup> Reference fuel prices of the Supervisor Entity for Energy and Mines in Peru  
<http://www2.osinerg.gob.pe/PreciosReferencia/TarPreciosReferencia.html>.

**Recommendation by the SSC WG:**

Please use the space below to provide amendments/change (in your expert view, if necessary).

Please refer to paragraph 6 of the meeting report of the SSC WG 19  
([http://cdm.unfccc.int/Panels/ssc\\_wg](http://cdm.unfccc.int/Panels/ssc_wg)).

**Answer to authors of query by the SSC WG:**

Please use the space below to provide answer to the authors of the above query

The small-scale working group of the CDM Executive Board would like to thank the author for the submission.

The SSC WG agreed to clarify, as currently written, AMS-III.B is only applicable to situations where complete and permanent switch from a single fuel (high carbon intensive) to a new fossil fuel (low carbon intensive) takes place.

The SSCWG agreed to recommend a revised version of AMS-III.B as contained in annex 3 of the SSCWG 19 meeting report. The recommended revision broadens the applicability of the methodology by including options to consider multiple fuel use in the baseline and the project case as well as grid electricity use/displacement.

If the revisions are approved by the Board, the project proponent may evaluate if the proposed project activity is covered by the revised version.



Signature of SSC WG Chair .....  
(Hugh Sealy)

Date: 27/02/2009



Signature of SSC WG Vice-Chair .....  
(Peer Stiansen)

Date: 27/02/2009

**Information to be completed by the secretariat**

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