



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)

<i>Date of SSC WG meeting:</i>	As per procedures for fast track clarifications
<i>Title/Subject (give a small title or specify the subject of your submission, maximum 200 characters):</i>	Clarification on displacement of high carbon intensive grid power with low carbon intensive captive power
<i>Indicative methodology to which your submission relates (refer the items of Appendix B of the Simplified Modalities and Procedures), if applicable.</i>	AMS-III.B.: Switching fossil fuels
<i>Name of the authors of the query:</i>	Institution: Emergent Ventures India Private Ltd. atul@emergent-ventures.com lokesh@emergent-ventures.com

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.

It needs to be clarified whether AMS-III.B. is applicable to the following project activity:

- Installation of a new gas based captive electricity generation system to displace:
 - Component A: in- house captive diesel fired electricity generation system, and
 - Component B: electricity from a fossil fuel dominated regional grid.

The grid emission intensity in the region where the project activity is located is ~0.80 tCO₂ / MWh, which is more than that in the project activity considering that the fossil fuels used in the grid as well as in the captive DG sets are more carbon intensive than natural gas. It is stated that the baseline emission factor for a year is calculated as the weighted average of CO₂ emissions from grid power used (using appropriate grid emission factor, the combined margin in tCO₂ per MWh) and from diesel fired DG sets (using actual monitored data of fuel consumption and electricity generation, using appropriate IPCC values); however, details are not provided.

Recommendation by the SSC WG:

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

This recommendation is as per the procedures for fast track clarifications as specified in paragraph 8 of the 'procedures for the submission and consideration of request for clarification of approved small scale methodologies' found at http://cdm.unfccc.int/Reference/Procedures/MethSSC_proc01_EB34a06.pdf.

Answer to authors of query by the SSC WG:

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

Approved methodology AMS-III.B. is applicable to project activities that accomplish emission reductions by substituting fossil fuels in the same facilities which are already in operation, for example:

- A solid fuel like coal is substituted with a gaseous fuel like natural gas in a district heating unit;
- Or fuel oil is replaced with natural gas in a drying unit of an industrial facility.

This is reflected in the applicability condition of the methodology which states “this category comprises fossil fuel switching in existing industrial, residential, commercial institutional or electricity generation applications” and further elaborated in the monitoring section where monitoring of the fuel use and output of the facility before the fuel switch and after the fuel switch has been stipulated. Further it shall be noted, “the project boundary is the physical, geographical site where the fuel combustion affected by the fuel-switching measure occurs.”

It is understood from the description in the submission that the project activity is the installation of a new gas based energy generation system that will substitute diesel generation (component A) as well as import of grid electricity (component B). The SSC WG agreed to clarify approved methodology AMS-III.B. is not applicable to the component B of the proposed project activity, i.e. displacement grid electricity. Consideration of baseline emissions from the grid electricity use and combined margin approach to calculate grid emission factor are not covered under AMS-III.B. However, component A of the proposed project activity, i.e. natural gas based energy generation substituting diesel electricity generation is an eligible activity under the AMS-III.B. if all the other conditions of the methodology are met.

Further it is not clear from the submission if the project activity will result in increase in electricity generation capacity. In this regard the author of the submission may wish to note the guidance from the Board, i.e. Paragraph 10 of annex 1 of EB 08 that states “If a proposed CDM project activity seeks to retrofit or otherwise modify an existing facility, the baseline may refer to the characteristics (i.e., emissions) of the existing facility only to the extent that the project activity does not increase the output or lifetime of the existing facility. For any increase of output or lifetime of the facility which is due to the project activity, a different baseline shall apply”. As an example, if the power generation is increased in the proposed project activity, then baseline scenarios for meeting this increase in the absence of the project must be assessed as a part of the baseline determination. Also, the remaining lifetime of the substituted equipment shall be considered when fixing the baseline scenario, for example using the approach of paragraph 11 of AMS-I.D. (retrofit) and/or paragraph 14 of annex 35 of EB 35 as regards General Guidance for SSC Methodologies (“greenfield projects”).

The SSC WG is of the opinion that a new methodology may have to be proposed to include all components of the proposed project activity under one methodology. In this regard the author of the submission may take note of SSC_148 which has many common elements to the proposed project activities under this submission.



Signature of SSC WG Chair

(Ulrika Raab)

Date: 17/12/2007



Signature of SSC WG Vice-Chair

(Richard Muyungi)

Date: 17/12/2007

Information to be completed by the secretariat

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