

	CDM: Response form for Request for revision of approved methodologies (version 01.1)	
<i>Date of Meth Panel meeting:</i>	7 - 11 April 2008	
<i>Title and number of Request for revision</i>	<p>The amendment intends to expand the applicability of AM0021. Currently, AM0021 is only applicable to existing adipic acid plants of which the installed capacity exists by the end of the year 2004. The revised AM0021 will allow both existing and new adipic acid plants to apply for CDM projects.</p> <p>AM_REV_0081</p>	
Summary of the query: Please use the space below to summarize the request for revision on the related approved methodologies.		
<p>The amendment to the approved methodology AM0021 intends to expand the applicability conditions of the methodology to both existing and new adipic acid plants.</p> <p>While the current version of AM0021 only applies to existing adipic acid production capacity, the amendment to this methodology applies also to new adipic acid plants. Project proponents suggest the inclusion of following considerations in order to be able to incorporate new plants to the methodology:</p> <ul style="list-style-type: none"> • It has to be demonstrated that the decision to build the new adipic acid plant was merely due to market demand without any reference to CDM. Without regulatory requirements on emission limits of N₂O, it is extremely unlikely for either existing or new adipic acid production in the developing countries to install N₂O abatement facilities. Firstly, there is no market demand for the N₂O by-product and therefore there is lack of economic incentive. Secondly, the costs of installing and operating a N₂O abatement system are significant; • It has to be demonstrated that the new adipic acid plant construction is the baseline scenario and the CDM would be the only incentive for its N₂O abatement. <p>With these demonstrations, the new adipic acid plants should be made eligible to use methodology AM0021.</p>		

Recommendation by the Meth Panel:

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

Meth Panel recommends not revising the methodology AM0021, as proposed by the request for revision, due to following reasons:

- In the case of new facilities, the methodology should not solely focus on the N₂O destruction unit. A completely new baseline selection procedure should be provided considering different alternatives for both the supply of adipic acid and for the fate of the N₂O co-production in the baseline situation, possibly in an integrated approach. In particular, the methodology should address the possibility of the baseline adipic acid production taking place in an Annex I country and the project activity displacing the production of either an existing facility or avoiding the construction of a new facility in Annex I countries. For further information related to this issue, please refer to the approach adopted in the latest version of AM0037;
- Another issue is the possible perverse incentive to build a new adipic acid plant only in order to generate N₂O and to get CERs for its destruction. Under reasonable assumptions, the revenue from the CERs alone is higher than the production cost of adipic acid and the destruction cost of N₂O. The applicability condition 3 (i.e. checking that the plant is profitable without the CDM revenue) added by the project proponents in the revised methodology submitted seems not to be effective in all cases to address this issue;
- Finally, the validity of the default “N₂O over adipic acid” ratio currently specified in the methodology would deserve some further discussion for new plants.

(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.

The recommendation is not to revise the methodology.

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

Please see above.



Signature of Meth Panel Chair

Date: 11/04/2008

(Akihiro Kuroki)



Signature of Meth Panel Vice-Chair

Date: 11/04/2008

(Philip Gwage)

Information to be completed by the secretariat

F-CDM-AM	AM_REV_0081
Name of the authors of the query:	TUEV-SUED
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