



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>	11–14 October 2011, SSC WG 34
<i>Title/Subject (give a small title or specify the subject of your submission, maximum 200 characters):</i>	Clarification on the applicability of AMS-III.AN to project activity switching to low carbon intensive transportation system in a mining industry
<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.AN “Fossil fuel switch in existing manufacturing industries”
<i>Name of the authors of the query:</i>	Fernando Alarcon Nogueira Institution: Geoklock Consultoria e Engenharia Ambiental Ltda fernando.nogueira@geoklock.com.br , vinicius.ambrogi@geoklock.com.br

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

Dear SSC Working Group members,

We would like to present a query on the AMS-III.AN. methodology, presented below:

SAMARCO is a mining and processing company which explores the natural resource of iron ore located in the municipality of Mariana, in Minas Gerais State, Brazil. Nowadays SAMARCO aims to implement a new exploration area in the site with a TCLD (Long Distance Conveyor Transport) to transport the sterile product from mining to the sterile waste dump in substitution of the diesel oil trucks currently used for this function.

The TCLD is a transport system based on a high suspended conveyor belt from the pit to the sterile waste dump moved by electrical motor. In this way, the project activity intends to switch a fossil fuel usage into a lower carbon content energy source (electricity from the Brazilian grid).

The baseline can be defined as the current utilization of diesel oil based trucks to transport the sterile to the waste dump.

According to the AMS-III.AN. statements:

1. *The methodology is applicable to project activities that involve switching from a fossil fuel to either:*

(a) A lower carbon content fossil fuel; or (b) A lower carbon intensive electric grid energy source in existing manufacturing industries. Applicable projects may also result in improved energy efficiency. However, this methodology does not provide any emissions reduction credits for energy efficiency improvement.

2. *The methodology is applicable if the following requirements are met:*

(a) *The baseline fossil fuel and the project low carbon energy source are consumed in thermal energy conversion equipment (e.g. furnaces, kilns, dryers) that are used in the manufacture of products (e.g. steel, ceramics, aluminium). This is referred to as an element process in this methodology;*

The methodology states “*the project low carbon energy source are consumed in thermal energy conversion equipment*”. The project activity intends to utilize electricity to run the electrical motor from the TCLD system and in this case, does not convert the energy source (electricity) into thermal energy. However, it does apply to the context of switching a fossil fuel to a lower carbon content energy source.

→ How this methodology, on the SSC WG point of view, can be utilized or even adjusted to the project activity context?

The trucks, which in the absence of a CDM project would transport the sterile product from mining, works in a mobile combustion basis and moreover are into the production process of the ore mining and processing. Thus:

→ Is AMS-III.AN. applicable considering the mobile combustion scheme (diesel trucks) instead of a stationary combustion scheme (e.g. furnaces, kilns, dryers) in the baseline?

→ Ore mining and processing are eligible in the terms of the AMS-III.AN. as a manufacturing industry? Once that the project activities (the TCLD system instead of diesel based trucks) shall be part of the mining process in the production of iron ore.

Therefore, we would like to have a response from the SSC WG as how the methodology should be applied/reviewed or any other consideration regarding the methodologies available to the project activity over mentioned.

Recommendation by the SSC WG:

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

Please refer to paragraph 28 of the meeting report of the SSC WG 34
<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 that as per paragraph 2(a), AMS-III.AN is applicable in cases where the baseline fossil fuel and the project low carbon emission source are consumed in thermal energy conversion equipment (e.g. furnaces, kilns, dryers) that are used in the manufacturing of products (e.g. steel, ceramics, aluminum), which is referred to as an element process.

The element process is defined in footnote 3 of the methodology as a process with the associated equipment in which an energy source (e.g. fuel or electricity) is used for production purposes to convert raw materials into intermediate or finished products using heat. In accordance with paragraph 2(e) of the AMS-III.AN each element process should have a distinct energy input (i.e. specific fuel or electricity) and distinct output (i.e. intermediate or finished product).

Furthermore, the AMS-III.AN provisions for quantifying emission reductions and monitoring requirement are intended for project activities whose primary output is product (steel, bricks, etc.) where the energy output cannot be directly measured and not thermal, electrical or mechanical energy.

Taking the above into account, the SSC WG further agreed to clarify that AMS-III.AN is intended for switch to low carbon emission source in production/processing thermal equipment and it is not applicable to project activities involving transportation mode switch.

The SSC WG further pointed out that a new methodology may be required to cover the underlying project activity for shift in transportation mode in manufacturing, where amongst other issues pertaining to transportation activities, it should be demonstrated that the conveyor transportation system is not common practice in the mining industry in the region.

This clarification applies to all the versions of AMS-III.AN.

Signed by the Chair, Ms. Fatou Gaye

Date: 14/10/2011

Signed by the Vice-Chair, Mr. Peer Stiansen

Date: 14/10/2011

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