	CDM: Response form for Request for revision of approved methodologies (version 01.1)
<i>Date of Meth Panel meeting:</i>	12 - 16 November 2007
<i>Title and number of Request for revision</i>	AM_REV_0068 (AM0036-v.02): Revision proposal to extend its application to projects with plant expansion (production output increase) AM_REV_0068
<u>Summary of the query:</u> Please use the space below to summarize the request for revision on the related approved methodologies.	
<p>The submission proposes to expand the applicability of AM0036 to project situations where, along with the replacement of existing equipment, expansions of the production capacity of the industrial facility and of the energy generation capacity in the industrial facility take place.</p> <p>The project activity is implemented at a site where the capacity of the industrial facility to which the heat generating equipment provides energy is expanded. To meet the energy demand of the expanded capacity of the industrial facility new biomass fired boilers are installed. The project activity is to replace the heat generation in existing fossil fuel and biomass fired boilers with heat from the new biomass fired boilers.</p> <p>In the example PDD, the existing energy generation equipment include 2 fossil fuel fired boilers, one biomass fired boiler and one boiler where black liquor is fired. In the project scenario, two new boilers are installed: a biomass fired boiler and another black liquor based boiler. Part of the heat generated in these boilers will replace heat generated from existing biomass and fossil fuel fired boilers. The emissions reductions are claimed only for the displacement of fossil fuel in the existing equipment.</p> <p>The request proposes the following changes:</p> <ol style="list-style-type: none"> 1) Applicability condition stating that project activity does not result in increased supply of electricity to existing industrial capacity by more than 10%; 2) Change in project type conditions in table 1 for “installation of new boilers and retrofit/replacement of existing boilers”; 3) Procedure to estimate the amount of fossil fuel displaced by biomass based heat supplied to the existing capacity; and, 4) Corresponding monitoring requirements. 	
<u>Recommendation by the Meth Panel:</u> (a) Please use the space below to provide amendments /changes (in your expert view, if necessary). The recommendation is not to approve the request. Amendments and changes are not required.	

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.

There are two key problems with the request:

- 1) The request does not explain how the project activity falls into the category “new boilers and retrofit/replacement”. The “replacement” of boilers is not appropriate as the new boilers are not meant as replacement of existing boilers but for meeting demand of the expansion in the capacity of the industrial facility. It can not be termed as “new boilers” for the same reason, because they are not meant for meeting demand of the existing industrial capacity. Further, the example PDD also states that existing boilers will continue to operate but at a lower rate for some time to come. The project activity is associated with the expansion of industrial capacity, whereas, AM0036 project scenarios are for situations where the replacement/retrofit or new boilers is not because of new facility.

The baseline scenario in AM0036 is either continuation of existing boilers or installation of new boilers that would have used the same fuel mix as existing boilers. Whereas, in the proposed request the baseline of the existing capacity of energy generation is affected by the need to install new boilers to meet the demand of the expanded capacity of the industrial facility. There is no scenario that analysis such situation: that the existing demand of energy by the industrial facility would be met by boilers that are established to meet the demand of energy by the expansion in the capacity of the industrial facility. This is specially important if the incremental heat requirement from the new boilers to meet the existing demand is small. This is the case in example PDD where the capacity of boilers to feed energy to expanded capacity supplies only 9% of the heat of existing capacity, which is a minor change.

- 2) Additionality of such project activities can not be demonstrated through barrier analysis. To understand the issue let us say that the baseline is (i) the continuation of present boilers, to meet the existing energy demand, associated with (ii) the installation of new boilers of capacity x , to meet the new energy demand due to the expansion of the industrial facility. Let us say also that in the project activity, new boilers of capacity y ($>x$) are installed to meet both the existing and the new energy demands. Considering, then, that in the project scenario a new boiler, either of capacity x or capacity y , would have to be installed anyway, due to the new energy demand, the issue is whether the investment for capacity y is significantly greater than that for capacity x . In this situation, the additionality of the installation of the higher capacity boiler y versus the installation of the lower capacity boiler x has to be assessed through an investment analysis, it can not be demonstrated through barrier analysis.

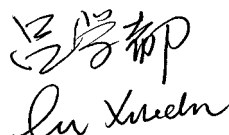
Considering that the underlying project activity described in the CDM-PDD is not a heat generation only project, but a cogeneration project, it is suggested that the project proponents consider a revision of ACM0006. The project proponent may wish to refer to the guidance provided on the request for revision number 65 which is a similar case as the underlying project for this revision.



Signature of Meth Panel Chair

Date: 16/11/2007

(Akihiro Kuroki)



Signature of Meth Panel Vice-Chair

Date: 16/11/2007

(Xuedu Lu)

Information to be completed by the secretariat

F-CDM-AM	AM_REV_0068
Name of the authors of the query:	TUEV-SUED
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