



## 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>	21–24 September 2009, SSC WG 22
<b>Title/Subject (give a small title or specify the subject of your submission, maximum 200 characters):</b>	Clarification about project boundary in the application of AMS-III.B
<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>	Daniel Martino Institution: CARBOSUR <a href="mailto:daniel.martino@carbosur.com.uy">daniel.martino@carbosur.com.uy</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:

We intend to apply AMS-III.B to a project activity consisting in installing a cogeneration unit fired with natural gas, with electricity being delivered to the national distribution grid and heat transferred to an adjacent industrial plant. Emission reductions arise from both the displacement of more carbon-intensive fossil fuels in the connected electricity system and substitution of fuel oil for heat generation in the industrial plant.

The project is to be implemented in a country where electricity distribution is under a legal State monopoly.

Paragraph 9 of AMS-III.B (on technology/measures) states that “Heat or electricity produced under the project activity shall be for on-site captive use and/or export to other facilities included in the project boundary”

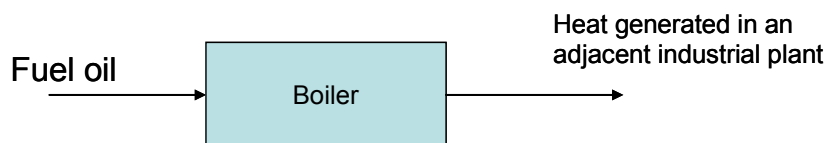
Paragraph 13 of AMS-III.B (on boundary) states that “the boundary also extends to the industrial, commercial or residential facilities consuming energy generated by the system”

We request clarification to the following:

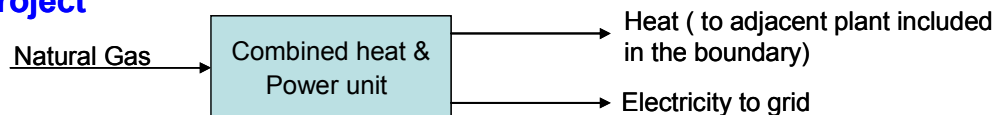
- a) Would it be acceptable to consider the national grid to which the generator is connected, and the energy is delivered, as a facility included in the boundary? We note that in CDM AM0048, the concept of “industrial, commercial and residential entity” receiving electricity from the project activity includes the grid operator.
- b) If the answer to question above is yes, would it be acceptable to use the “Tool to calculate the emission factor for an electricity system” to calculate emissions reduction of the project activity associated with electricity generation?

Diagrammatic representation of the project activity:

### Baseline



### Project



### Recommendation by the SSC WG:

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

Please refer to paragraph 45 of the meeting report of the SSC WG 22 ([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 that AMS-III.B does not cover cases where changes in the facility (other than the fuel switch) are included.

The SSC WG also clarified that AMS-III.B is for project activities in the same facilities or other facilities (included in the boundary and as defined in paragraph 9 of AMS-III.B) that accomplish emission reductions primarily through direct fossil fuel switch, i.e., where there is a change in the fossil fuel (i.e., switch from a higher GHG intensive fossil fuel to lower GHG intensive fossil fuel) used in a particular application; for example, coal is substituted with natural gas in an element process i.e., captive thermal or electrical energy producing unit. An “element process” in the methodology is defined as “fuel combustion, energy conversion or energy use in single equipment. Each element process generates a single output (such as electricity, steam, hot air) by using a single energy source”. The SSC WG is thus of the opinion that the described combined heat and power project is not eligible under AMS-III.B. The revision of the methodology would require inclusion of the heat energy component to appropriately reflect heat and electrical energy in the baseline of a CHP project that would be difficult to implement in a simplified methodology such as AMS-III.B.

It is understood from the description in the submission that the project activity is the installation of a new gas based cogeneration system that will displace fuel oil for heat generation in an adjacent industrial plant included in the project boundary (**component A**) as well as 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 of grid electricity or export electricity to a grid. This is also reflected in paragraph 7 of AMS-III.B that states “The facility may involve grid connected elemental processes however this methodology does not cover emission reductions on account of shift from use of 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 (e.g., there is no procedure provided to determine emission factors for the sources of electricity used in the baseline situation (captive and grid) for project activities displacing grid electricity). However, component A of the proposed project activity, i.e., natural gas based energy generation substituting fuel oil based energy generation, is an eligible activity under the AMS-III.B if all the other conditions of the methodology are met.

The SSC WG would like to suggest to the author of the submission to explore AMS-II.H “Energy efficiency measures through centralization of utility provisions of an industrial facility” and submit a request for revision covering the described project taking into account the following:

- 10% cap on capacity may be considered instead of now specified 5% capacity cap to be consistent with other approved SSC methodologies;
- It may be considered to specify that a separate baseline is established using step 1-3 “Combined tool to identify the baseline scenario and demonstrate additionality” for Greenfield projects or for project activity where capacity is expanded beyond 10% of the baseline capacity. For a project activity where capacity is not expanded or expanded below 10%, historical information may be used as described in AMS-II.H;
- It is also noted that AMS-II.H is not applicable to a project activity exporting electricity to grid. The submission author may consider minimum of the following for determining baseline grid emission factor for a project activity exporting electricity to grid:
  1. Combined margin;
  2. Build margin;
  3. Lowest CO<sub>2</sub> intensive fossil fuel fired plant in the grid.



Signature of SSC WG Chair .....

(Hugh Sealy)

Date: 24/09/2009



Signature of SSC WG Vice-Chair .....

(Peer Stiansen)

Date: 24/09/2009

**Information to be completed by the secretariat**

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