



**CDM: Response form for request for clarification on
Approved Methodologies
(version 01.1)**

<i>Date of Meth Panel meeting:</i>	22 - 26 June 2009
<i>Title and number of request for clarification</i>	Project activity that recovers associated gas from oil wells that would otherwise be flared or vented, processes it to CNG and delivers the CNG by means of CNG mobile units to Greenfield power plant (end-user) AM_CLA_0154

Summary of the query:

Please use the space below to summarize the request for clarification on the related approved methodologies.

AM0077 “Recovery of gas from oil wells that would otherwise be vented or flared and its delivery to specific end-users” is applicable to project activities that recover associated gas from oil wells that would otherwise be flared or vented; process the associated gas and, optionally, non-associated gas and/or combined gas in a new gas processing plant and the processed gas is (i) delivered to clearly identifiable specific end-user(s) by means of CNG mobile units and/or (ii) delivered into an existing natural gas pipeline in the host country(ies).

The project proponents mention that they cannot put forward GHG reduction project activities for validation, including the project submitted along with the new methodology NM268 that was approved as AM0077, without this request for clarification on the application of AM0077.

The request seeks following clarifications:

Clarification 1: Use of the term “Oil Wells”:

In the applicability conditions, the term “Oil Wells” is used and the project proponents would like to clarify if this should read as “Oil Fields”. The clarification is sought whether drilling of new wells in an existing oil field has to be excluded from such activities.

Clarification 2: Three year flaring / venting data requirement

The project proponents insist that the requirement for three years of flaring data makes it almost impossible to implement any CDM flare reduction projects, especially in recently online or coming online oil wells and therefore request clarification on how to initiate a CDM project activity in case three years data is missing.

Clarification 3: Greenfield end-users

AM0077 requires that “A baseline scenario shall be identified for each potential end-user of the processed gas prior to its inclusion in the project activity. The objective of the baseline scenario identification for an end-user is to ensure that the processed gas will be used to displace fossil fuel(s) with equal or higher carbon intensity and not renewable biomass, other renewable energy sources, waste gas or other fuels with lower carbon intensity.” In this context, the project proponents asks is it possible to follow the approach as provided in AM0029, ACM0012 or Type II/III small-scale methodologies for Greenfield projects and establish the most plausible baseline scenario for the potential Greenfield end-users, which can then be validated by a DOE.

Clarification 4: Adding end-users after validation/registration

AM0077 has one of the applicability conditions: “All end-users included in the project activity shall be identified before the submission of the project activity for validation, and no new end-users can be included within the project activity during the crediting period.” In this regard, the project proponents request clarification on the flexibility to change the potential end-users during the crediting period and have a provision that DOE will check and validate that the additional end-users utilized fossil fuel that is equal or higher GHG intensive.

Clarification 5: CNG use for electric power or mechanical energy

The project proponents seek clarification on the reason behind restricting the scope of utilization of CNG for heat generation only in industrial, commercial or residential applications. The project proponents explain that end-users not only use the energy from CNG for heat but also use it for electric power and mechanical energy in industrial, commercial or residential applications.

Clarification 6: Non-associated gas

The project proponents seek clarification on the applicability condition requiring that “The non-associated gas would not be explored but remain in its reservoir” as evidence to meet this condition is outside the influence of the project proponents and, therefore, not available. The project proponents also request clarification whether it is considered sufficient to demonstrate that the project is triggered by the availability of flared associated gas in order to show compliance with the applicability criterion.

Clarification 7 : Project Boundary

As per the methodology, the project boundary encompasses:

- Project oil wells where the associated gas is collected;
- The site where the associated gas was flared or vented in the absence of the project activity.

In many situations, the only option for many Operators of oil fields is to sell the associated gas to project proponents who specialize in this sector and are better placed to deliver the flare gas utilization projects. In these cases project proponents are not the Operators. Instead they are independent entities who have a ‘gas rights’ agreement to recover flare gas from the oil field for utilization. They have no control over the development program of an Oil Field (number of wells, location, historical data etc). Instead they will receive their gas from the gathering station. Thus the PP request clarification on how the project boundary be identified if it is not the operator of the oil field where the gas was flared earlier or would be flared. (Please refer to diagrams in the attachment that provide the options and here Case 1 makes sense.)

Recommendation by the Meth Panel:

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

Please refer to the next section.

Answer to authors of the request for clarification by the Meth Panel :

Please use the space below to provide an answer to the authors of the above query

The Meth Panel clarifies each queries as follows:

Clarification 1: Use of the term “Oil Wells”:

The term “Oil Wells” used in the applicability conditions can not be read as “Oil Fields”. The issue here is that, specific oil wells where the associated gas is flared in the baseline and captured and supplied to the processing plant must be included in the boundary. This is because associated gas must be flared in the baseline for the basis of this methodology to be adhered to. Also the use of associated gas in the field from newly drilled oil wells (after the start of the crediting period of the CDM project) can not be included in the project activity.

Clarification 2: Three year flaring / venting data requirement

The requirement for three years historical data on flaring or venting is to avoid gaming. The objective of this methodology is not to promote CDM project activities in recently online or coming online oil wells. Its objective is to help project proponents to utilize the associated gas that are historically flared in existing oil wells.

Clarification 3: Greenfield end-users

The reason to restrict the methodology to existing end-users is to avoid the complexity of identifying baseline scenario for Greenfield end-users. Identification of baseline scenarios for existing end-user, as presented in the methodology, is carried out through a simplified procedure. The approach described by the project proponents in this request will require very detailed and complex procedure to identify baseline scenario for Greenfield end-users.

Clarification 4: Adding end-users after validation/registration

According to the methodology, all the end-users have to be identified before the validation and no new end-users can be included within the project activity during the crediting period. Inclusion of new end-users after the registration of the project activity needs updating of the project design document (PDD) and re-validation of the project, with the identification of baseline scenarios for end these new end-users. Currently, there is no procedure in the CDM that will allow identifying baseline scenario after the project registration and re-validation of the project activity. As an exception, addition of users after registration of project is only allowed under CDM Program of Activities (POA).

Clarification 5: CNG use for electric power or mechanical energy

The reason behind restricting the scope of utilization of CNG for heat generation only is to avoid the complexity of having procedures to select the baseline scenario, the assessment of additionality and the calculation of emissions reductions for electricity generation and mechanical energy, for example, supplying electricity to the grid using the project CNG as a fuel at one of the users facilities will require assessing the baseline scenario for electricity production and demonstration of additionality. This will add complexity to the methodology, as current approach has been designed to be a simple methodology targeted at reducing gas flaring.

Clarification 6: Non-associated gas

The Panel clarifies that the applicability condition “The non-associated gas would not be explored but remain in its reservoir and the gas processing plant would not be constructed” has to be met in order for the methodology to be applicable. The reason for this applicability condition is related to additionality assessment and baseline selection. The Panel believes that if the non-associated gas would be explored in the baseline scenario and the gas processing plant would be constructed anyway, then the demonstration of additionality has to take that fact into account. To that end, a more careful analysis of the alternative baseline scenarios would be required, especially concerning the investment analysis. Project proponents may wish to submit a request for revision with this respect, proposing amendments to the procedure for assessment of additionality and selection of the baseline scenario.

Clarification 7 : Project Boundary

The project boundary (and the baseline boundary) as presently represented in the methodology cannot be changed without contravening the basic philosophy of the methodology as a flare out methodology. The basic foundation of the methodology rest on the assumption that the associated gas that is captured would have been flared in the absence of the project. Without having the site where the gas is processed, and the oil wells where the flaring would have occurred, it would be difficult to monitor the basic assumption on which the emission reduction credit is based is maintained throughout the crediting period. For the use of the methodology for the underlying project, project proponents will have to obtain information to establish that the associated gas is flared prior to the project and is no more flared thereafter. If this cannot be done, then AM0077 cannot be used in its present form and another pathway may have to be found. For example, it is possible for the project proponents to develop their CDM project by considering the supply of CNG to specific end-users as a fuel shift project, where low carbon natural gas is supplied to specific, identified users to displace higher carbon fuels such as: Coal; Fuel oil; LPG; Diesel etc.



Signature of Meth Panel Chair

Date: 26/06/2009

(Philip Gwage)



Signature of Meth Panel Vice-Chair

Date: 26/06/2009

(Pedro Martins Barata)

Information to be completed by the secretariat

F-CDM-AM	AM_CLA_0154
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