



**Approved baseline and monitoring methodology/
methodological tool clarification response form
(Version 02.0)**

INFORMATION TO BE COMPLETED BY THE SECRETARIAT OR PANEL/WG

Date and number of Panel/WG meeting:	26–29 August 2013, SSC WG 41
Title/Subject of the request for clarification:	Clarification on two of the applicability conditions under AMS-III.Q
Reference number of the request for clarification:	SSC_690
Exact reference (number, title and version) of the methodology or methodological tool to which the request for clarification applies:	AMS-III.Q – version 05 “Waste energy recovery (gas/heat/pressure) projects”
Fast track or Regular track:	<input type="checkbox"/> Fast track <input checked="" type="checkbox"/> Regular track

Summary of the request for clarification

Original text from Stakeholder:

We would like to seek your clarifications on AMS-III.Q (version 05.0) with respect to two points:

- Clarification 1: Interpretation of “Existing facilities” with respect to capacity expansion
- The methodology stipulates in paragraph 1 that it is applicable to project activities carried out at an “existing facility” that is defined as follows in the definition section.

“Existing facilities. (includes the project facility and the recipient facility) Existing facilities are those that have been in operation for at least three years immediately prior to the start date of the project activity. (All options for demonstrating the use of waste energy in the absence of a CDM project activity shall be based on historic information and not on a hypothetical scenario).”

Your clarification is requested as to the interpretation of the rule in relation to capacity expansion.

The particular situation provided for illustrative purposes pertains to a cement factory that started production with one line more than 5 years ago, but added approximately 1.5 years ago a second line of the same production capacity as the first line. The proposed CDM project activity consists of power generation using waste heat recovered from both of the production lines. The electricity produced by the project activity will displace import from the grid currently utilized for the operation of both lines 1 and 2.

Are we correct in believing that capacity expansion projects with the ensuing characteristics are able to apply the methodology?

- The original facility (before the expansion) has been in operation for at least three years immediately prior to the start date of the project activity.
- A minimum of one-year operational data is available for the expanded facility to enable the determination of the baseline for both line 1 (original) and line 2 (recent addition) in accordance with paragraph 9 of the methodology that reads:

“For existing facilities, which has three years of operation history but do not have sufficient operational data for the purpose of determining baseline, all historic information shall be available (a minimum of one year operational data is required).”

- f_{cap} is determined with a method other than Method 1 that requires the availability of 3-year historical data. (For the illustrative example, it is determined by Method 2.)
- Similarly, applicability condition 4(i) is addressed by an approach other than option (i) that relies on three-year historical data. (For the illustrative example, option (ii), Energy balance analysis, is adopted.)

Clarification 2: Correct interpretation of applicability condition 4(g)

Our second query concerns the interpretation of applicability condition 4(g) which is reproduced for your ease of reference.

“For those facilities and recipients which are included in the project boundary, that prior to implementation of the project activity (current situation) generated energy on-site (sources of energy in the baseline), the credits can be claimed for minimum of the following time periods:

- (i) The remaining lifetime of equipment currently being used; and*
- (ii) Crediting period;”*

We have noted that registered projects are divided in terms of the interpretation of this applicability condition.

Interpretation (a): In view of the absence of any reference in the applicability condition to the lifetime of “waste energy generating facility”, this interpretation considers that the applicability condition is relevant only in case there is on-site energy generation prior to the implementation of the project activity.

Interpretation (b): This interpretation believes that the lifetime of the “waste energy generating facility” is required under the applicability condition (albeit not explicitly stated), presumably on the assumption that it is due to an editorial imperfection of the methodology that “waste energy generating facility” is not mentioned.

While interpretation (b) has been adopted for some registered CDM projects, more than a few projects have been registered on the basis of interpretation (a), including two notable recent examples as shown in the table below, neither of which furnishes the data as regards the lifetime of the waste energy generation facility (i.e. the remaining lifetime of the cement factory for both of the examples in the table.).

	PDD (Section B.2 Applicability Condition 5(g) that corresponds to Applicability Condition 4(g) of version 5 of the methodology)	Validation report	Validation DOE	Date of registration action
7905 Hubei Sanxia New Building Materials in China	Project Scenario This applicability condition is not relevant, as there was no on-site energy generation prior to implementation.	(Page 20 of the VR) This applicability condition is not relevant, as there was no on-site energy generation prior to implementation, which has been confirmed by reviews of PAR [Project Application Report] and through on-site visit.	CQC	11 February, 2013
7738 Hon Chang in Vietnam (Holcim)	Project Activity Prior to implementation of the project activity (current situation) Hon Chong cement plant obtains electricity through the grid. Credits will be claimed within the Crediting period 10 years. Applicability criterion met?(yes/no): Yes	(Page 82 of the VR) Validation Team Comments The project activity is newly installed. The credit claimed by the project activity is the crediting period of 10 years. Final conclusion OK	TÜV NORD	17 January, 2013

On the basis of these examples, is it correct to understand that interpretation (a) is acceptable?

Clarification by the secretariat or Panel/WG

The small-scale working group (SSC WG) of the CDM Executive Board would like to thank the author for the submission.

The SSC WG agreed to clarify that:

Clarification 1: AMS-III.Q defines “existing facilities are those that have been in operation for at least three years immediately prior to the start date of the project activity. (All options for demonstrating the use of waste energy in the absence of a CDM project activity shall be based on historic information and not on a hypothetical scenario”. Existing facilities includes the waste energy generation (project facility) and the recipient facility. The second production line as described in the submission does not comply with the definition of existing facilities i.e. it does not have three years of operational history.

Also baseline section states “9. Baseline determination shall be based on relevant operational data from immediately prior three years to the start date of the project activity (or the start date of validation with due justification). For existing facilities, which has three years of operation history but do not have sufficient operational data for the purpose of determining baseline, all historic information shall be available (a minimum of one year operational data is required).”

Thus AMS-III.Q is not eligible for a capacity expansion CDM project activities or PoAs. However PP may explore possibility of application of ACM0012 for the project activity illustrated in the submission.

Clarification 2: as a general principle applied in AMS-III.Q, the lifetime of equipment (e.g, waste energy generating equipment, on-site captive unit) included in the project boundary that are existing prior to implementation of the project activity, irrespective of that in the supply site or in the recipient facility shall be considered, i.e. emission reduction credits may be claimed up to the end of the lifetime of the equipment. The remaining lifetime of the equipment is determined using the latest version of the “Tool to determine remaining lifetime of equipment”.

The SSC WG agreed to reflect this clarification at the next opportunity of revising AMS-III.Q.

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Document information

<i>Version</i>	<i>Date</i>	<i>Description</i>
02.0	18 July 2013	Revised to remove the row “Date and signature of the chair and vice chair of Panel/WG”.
01.0	4 July 2013	Initial publication. This document supersedes and replaces the following documents: <ul style="list-style-type: none"> • Recommendation Form for Small Scale Methodologies (F-CDM-SSCwg) (Version 01.1); • Recommendation Form for Small Scale A/R Methodologies and Procedures (F-CDM-SSC-AR) (Version 01.1).
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