	CDM: Recommendation Form for Small Scale Methodologies (version 01) <i>(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:	19 - 23 March 2007
Title/Subject (give a small title or specify the subject of your submission, maximum 200 characters):	Request for revision of AMS III.F to cover capacity expansion of existing compost production facilities
Indicative methodology to which your submission relates (refer the items of Appendix B of the Simplified Modalities and Procedures), if applicable.	AMS III.F
Name of the authors of the query:	Vladislav Arnaoudov Mitsubishi UFJ Securities Co., Ltd.
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.	
<p>The submission requests the revision of AMS III. F to cover capacity expansion of existing compost production facilities. The applicability of AMS III.F. is defined as follows:</p> <p><i>“This project category comprises measures to avoid the production of methane from biomass or other organic matter that would have otherwise been left to decay anaerobically in a solid waste disposal site without methane recovery. Due to the project activity, decay is prevented through aerobic treatment by composting and proper soil application of the compost.”</i></p> <p>This concept should be relevant not only to construction or expansion of composting facilities but also to special efforts to improve the capacity utilization of an existing composting facility. Many existing compost production facilities operate at a level much lower than their original design due to high production costs and/or low demand for compost. The proposed revision is pertinent to project activities to increase compost production at under-utilized facilities by enhancing the competitiveness of their composting operation with CDM assistance.</p> <p>Five changes are proposed in AMS III.F:</p> <p>1) New Applicability condition for projects increasing the compost production in existing facilities.</p> <p>It is recognized that project activities aiming at a higher capacity utilization at an existing facility require careful scrutiny with respect to baseline determination and additionality assessment. In order to maintain a conservative approach and prevent BAU activities from being registered as CDM project activities, project participants are required to demonstrate that application of chemical fertilizers is common practice and is cheaper than organic fertilizers in the region where the project activity is to be undertaken. This will be stipulated as an applicability condition for existing facility project activities.</p> <p>2) Highest historical record of compost production</p> <p>The quantity of the waste composted on a BAU basis at the existing facility is determined conservatively as the highest amount of annual compost production in the last five years prior to the project implementation.</p> <p>3) Trend of compost production.: New applicability condition.</p>	

When the waste to compost operation at the existing facility shows a growth pattern, choosing the most conservative historical data as prescribed above could be not sufficient. The upward trend must be projected for future BAU production estimates. Not having incorporated such a feature, this request for revision proposes that project activities at an existing facility cannot apply the methodology, if there is an upward trend in compost production. The existence of an upward trend is to be determined using regression analysis or time series analysis, following the guidelines provided in Annex 7 to the report of the 21st session of the CDM EB. In case autocorrelation is not found to be statistically significant, simple regression analysis using monthly or, if not available, annual amount of compost is applied. For example, in the case of the model below a positive trend exists if β is positive and statistically significant at a 95% confidence interval.

$$x_t = \alpha + \beta t_t + u_t$$

Where:

x_t is the amount of compost produced in time t

t_t is the trend

u_t is the disturbance term

If monthly data is used, seasonal changes in compost production should be accounted for. If autocorrelation is found to be statistically significant, appropriate time series data analysis should be used.

4) Determination of baseline scenario

There is a need to ensure that when a project activity achieves an increase in compost production with CDM assistance, the increase relates to waste not targeted by other plans for composting or waste management measures with GHG mitigation contribution. If this were not the case, the project activity would not result in additional GHG reduction. While this issue is common to all composting project activities, the proposed request for revision addresses it through an amplified baseline determination process, which an existing facility project activity is required to follow.

The proposed procedure is as follows:

“In the case of the project activity that increases capacity utilization at an existing composting facility, the baseline and its emissions are determined as follows:

Step 1. Identification of possible scenarios

The project design document (PDD) will identify all possible scenarios as to compost production and waste disposal in the absence of the project activity. The list of scenarios must include the following cases as a minimum:

Scenario 1: The project activity will be carried out without the CDM

Scenario 2: The capacity utilization at the existing facility will increase without the special efforts represented by the project activity

Scenario 3: The waste to be composted by the project activity will be composted by another entity

Scenario 4: The methane emissions from the waste to be composted by the project activity will be avoided/mitigated by an initiative other than composting

Scenario 5: The capacity utilization at the existing facility will continue to languish and the waste will decay anaerobically emitting methane.

Step 2. Selection of the most plausible scenario

All the scenarios enumerated in Step 1 must be assessed for plausibility. The rest of this methodology will be applicable only when Scenario 5 is determined as most likely to happen in the absence of the proposed project activity.”

5) Project emissions calculation

The proposal includes a procedure to calculate the proportion of activity emissions due to the project.

The proportion is calculated considering that the emissions related to the BAU composted waste should not be considered project emissions.

Recommendation by the SSC WG :

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

Please refer to Paragraph 17 of the meeting report of the SSC WG 09 (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 (SSC-WG) of the CDM Executive Board would like to thank the project proponent for the submission.

The SSC WG agreed the proposal includes useful concepts for projects leading to an increase in capacity utilization of an existing composting facility. The methodology is not restricted currently to increase in utilisation capacity but the submission provides guidance for this case. Each of the proposals is discussed separately in the below paragraphs.

1) New Applicability condition for projects increasing the compost production in existing facilities.

The proposed changes were discussed by the SSC WG i.e. “ application of chemical fertilizers is common practice and is cheaper than application of compost. Project participants shall use official local/regional data to conduct a financial comparison of the two different fertilizer types expressed in \$US/m2 of field area”. There are some cases where the produced compost doesn’t have agricultural use (e.g. land fill cover). The suggested text fits as an example of application of the first of the proposed applicability condition.

2) Highest historical record of compost production

The proposal was considered by the SSC WG and the working group agreed that it is a conservative and simple approach to determine the BAU amount of compost production.

3) Trend of compost production as an applicability condition.

The SSC WG considered the proposed calculations, however considered that the cap based on historical production data provides reasonable baseline approach and may not need further strengthening.



4) Determination of baseline scenario

The SSC WG considered the proposed approach to construct baseline scenario, however was of the opinion that the current approach included in all small-scale methodologies (where the baseline scenario is dictated by the methodology) is adequate for small-scale projects.

5) Project emissions calculation

The proposal was considered by the SSC WG and the group agreed that it is a conservative and simple approach to determine the proportion of the emissions of the composting activity that must be considered project emissions.

In view of the above the SSC WG agreed to recommend a revision of AMS III.F to include project activities that enhance the capacity utilization of existing compost facilities as contained in annex 9 of the SSC WG09 report .

	
Signature of SSC WG Chair	
Date: 23/03/2007 (Ulrika Raab)	
	
Signature of SSC WG Vice-Chair	
Date: 23/03/2007 (Richard Muyungi)	
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