

	CDM: Response form for Request for revision of approved methodologies (version 01.1)
Date of Meth Panel meeting:	7 - 11 March 2011
Title and number of Request for revision	Revision of AM0029 to incorporate Combined Cycle Gas Turbine plants fitted with an extraction-type steam turbine, where, as well as generating electricity, a portion of the steam may be extracted to provide heat AM_REV_0205
Summary of the query: Please use the space below to summarize the request for revision on the related approved methodologies.	
<p>The approved methodology AM0029, “Baseline Methodology for Grid Connected Electricity Generation Plants using Natural Gas”, is applicable to project activities that construct and operate a new natural gas fired grid-connected electricity generation plant.</p> <p>This request for revision intends to expand the applicability of the methodology to project activities that implement new natural gas power plants deploying a combined cycle gas turbine (CCGT) technology, where, in addition to the generation of electricity, steam may be extracted from the steam turbine to supply heat to a district heating system.</p> <p>The current version of AM0029 is not applicable to heat extraction or cogeneration plants, therefore the project participants incorporate the following modifications to the methodology in the proposal to address their case:</p> <ul style="list-style-type: none"> • <i>Applicability conditions.</i> The applicability of the methodology is expanded to natural gas CCGT plants with heat extraction, restricting the claim of emission reductions only to the electricity component. Consequently, no emission reductions can be claimed for the heat component; • <i>Baseline identification.</i> Specify that in the case of heat extraction, the analysis shall be only performed for the electricity component of the project. Moreover, only the portion of the capital costs, fuel and O&M costs that is attributable to the production of electrical power in such plants should be taken into consideration during the identification of the economically most attractive baseline scenario; • <i>Additionality demonstration.</i> States that the calculation of the project’s financial indicator, for the benchmark investment analysis, should include all expenses and revenues from both components, i.e. electricity and heat; • <i>Project boundary.</i> Indicates that heat production facilities in the baseline should be excluded from the project boundary; • <i>Project emissions.</i> For project emissions, all emissions related to heat production should be allocated to the electricity component; • <i>Baseline emissions.</i> No baseline emissions are claimed for the heat component, and baseline emissions related to the electricity generation should be capped at the electricity generation value used in the investment analysis; • <i>Monitoring.</i> It is requested that monitoring of both components, electricity and heat output, should be carried out, and that in the calculation of baseline emissions, the amount of electricity generated in year y of the crediting period shall be capped at the value used in the investment analysis. 	

Recommendation by the Meth Panel:

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

Not applicable.

(b) Please use the space below for providing guidance, as per Para 93 of EB25 Report, on what type of projects need to revise the PDD as a consequence of the suggested revision, if the recommendation is to revise the methodology.

Not applicable.

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 this request for revision.

The Meth Panel stresses that the approved methodology AM0029 does not include the required provisions to be applied to project activities that combine electricity and heat supply. The modifications proposed in this request may serve as safeguards to avoid a potential inflation of emission reductions, however these do not fully address issues related to baseline identification and additionality demonstration.

In relation to baseline identification:

- (1) Despite the fact that the proposal prevents the claim of emission reductions from the heat component, the underlying assumption of the proposal is that the heat provided by the project plant is less carbon intensive than the heat that is displaced by the project activity. This assumption precludes possible scenarios where renewable heat sources (e.g. biomass) or waste heat (e.g. from waste incineration facilities) are displaced by the project activity. Consequently, although no emission reductions are claimed, higher project emissions would occur in contrast to the baseline alternative; and
- (2) According to the proposal in this request, the baseline identification analysis should be performed only for the electricity component. In this case, one of the alternative baselines for the project activity might be the same power plant but without heat extraction. The latter alternative would not require expenditures related to heat extraction, and might be the most attractive alternative and baseline for the project activity. In this case, no emission reductions would occur due to the implementation of the project activity as since the alternative may generate more electricity, without heat though, per given fuel consumption.

Concerning additionality demonstration, the proposal does not fully address the issue related to the potential manipulation of the expected revenue from heat and electricity production, where the heat tariff is significantly lower than the electricity tariff in energy units. In this case, the project participant may extract heat in a way that enables the project to underperform a certain benchmark..

The Meth Panel invites project participants to evaluate alternatives for the underlying project activities, as: (i) using one of the existing approved methodologies such as, but not limited to, AM0048 that are applicable to cogeneration projects, (ii) submit a request for revision to an approved methodology applicable to cogeneration projects, or (iii) submit a proposal for a new methodology that addresses this specific case.

Signed by the Chair, Mr. Philip Gwage

Date: 11/03/2011

Signed by the Vice-Chair, Lex de Jonge

Date: 11/03/2011

Information to be completed by the secretariat	
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