



CDM Executive Board
UNFCCC Secretariat
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11th June 2009

**Re: Request for review for “Quimobásicos HFC Recovery and Destruction Project (plant 2)
[CDM Ref. #: 2398]**

Dear CDM Executive Board Members,

SGS has been informed that the proposed CDM project activity “Quimobásicos HFC Recovery and Destruction Project (plant 2)” (Ref no 2398), submitted by SGS for registration, is under consideration for review because three requests for review have been received from members of the board.

In response to the request for review raised by the Board, the DOE/PP would like to clarify the reasons why Plant 2 is applicable as an independent CDM project under AM0001 V5.2 and to clarify why this project is different and independent from registered project 0151.

Background

Quimobásicos consists of two production plants, Plant 1 producing HCFC 22 and Plant 2 also producing HCFC 22. Plant 2 is a swing plant, which produced CFCs and HCFC 22 until 2005¹ when due to the Montreal Protocol requirements in Mexico, switched completely to HCFC- 22 production. Initially, around 2006, Quimobásicos presented both Plants as one PDD under version 3 of AM0001. At EB 24, the Board registered Plant 1 (as project 0151), with the following requirement:

“The Board agreed to register the project activity Quimobásicos HFC Recovery and Decomposition Project (0151), if the project participants submit a revised PDD which removes the CFC production line from the project boundary (EB 24, article 69a)”

In accordance with the Board's requirement, and in order to register the Project Activity, the Project Participants excluded Plant 2 out of the existing PDD. Since registration, the existing plasma unit (for HFC23 destruction) of Plant 1 has been functioning and Plant 2 has continued to emit HFC23 to the atmosphere. As described below, the plasma unit of Plant 1 has capacity only to process the emissions of this plant. Between the registration of Plant 1 and the submission of the PDD for Plant 2, production records from 2000 to 2004 were analyzed and the Project Participant realized that Plant 2 could be applicable under version 5.2 of the methodology², as demonstrated in the submitted PDD.

Request for Review 1-3, Issue 1:

The DOE is requested to clarify how it has validated the need, in terms of HFC23 waste gas production and destruction capacity, for another HFC23 destruction unit when the current facility has already one HFC23 destruction unit working in line 1.

¹ As a swing plant, the plant has the capacity to produce both, HCFC-22 and CFC, as shown in Table 1

² AM0001 version 5.2, page 4/17, inclusion of swing plants and determination of annual historical maximum

SGS and PP Response to Issue 1:

During validation, SGS was able to observe that the plasma destruction facility in Plant 1 has a destruction capacity of 60 kg/h, which was inspected during the site visit and whose specifications were verified against the information provided by the manufacturer (e.g. efficiency of 99.9999%). The unit to be installed as part of the project activity in Plant 2, essentially resembles the same design of the existing unit in Plant 1. The technical specifications of this type of equipment indicate that depending on the feed material, throughput rates can range between 1-3 tonnes/day, which is in line with the capacity of the units designed for Quimobásicos. As indicated in Annex 1 (1, 2), this 60 kg/hr capacity is already in use in Plant 1 and is not enough for Plant 2, since Plant 2 will also require a plasma unit with a destruction capacity of 60 kg/h. Plants 1 and 2 have the same production capacity of HCFC 22: 28 t/day, indicated in Annex 1 (4). In addition, the SGS auditor reviewed production records, indicating that the production capacity of Plant 1 matches the capacity of its plasma destruction unit. Thus, a new destruction unit is necessary to destroy the HFC23 produced in Plant 2. Based on the above, the DOE validated the need for another HFC23 destruction unit.

Request for Review 1-3, Issue 2:

The DOE is requested to further substantiate the fundamental difference between the registered project activity Ref 0151 and the proposed project activity in terms of baseline determination.

SGS and PP Response to Issue 2:

The registered Project Activity Ref 0151 consists of the baseline emissions of HFC23 stream originated from Plant 1, which is a distinct HCFC-22 production plant than the proposed project activity (Plant 2). As validated during the site visit, Plant 2 is a totally independent HCFC-22 production plant, physically independent from Plant 1 and with different process flows, as shown in Annex 1 (3). The baseline for Plant 2 was determined according to the applicable methodology AM0001 version 5.2 and based on the historical HCFC-22 production of Plant 2 only, as shown in the spreadsheet (Table 1) and PDD submitted for registration request. Therefore, the baseline emissions of Plant 2 are fundamentally independent and different from the baseline emissions of the registered project activity Ref 0151, since the baseline emissions determination of project 0151 do not consider at all Plant 2. In addition, since there are no legal requirements to destroy HFC23 emissions in Mexico, and since Quimobásicos, as an economical actor, has no incentive to destroy the emissions of HFC23 of Plant 2, these emissions would have been emitted to the atmosphere in the baseline scenario, as they have been emitted, before and after the registration of Plant 1 (Table 1). The DOE verified that both plants are independent and checked historical records and legal documents that indicated that Quimobásicos had no incentive to destroy emissions from Plant 2 and that these emissions were being released to the atmosphere.

Request for Review 1-3, Issue 3:

The DOE should clarify how the applicability condition of AM0001 v.5 regarding the operating history of the plant has been validated, in particular in the context of the Board's decision with regard to project 151.

SGS and PP Response to Issue 3:

Assuming that the applicability condition that is referred to, in the request for review, is the following one:

"The HCFC-22 production facility has an operating history of at least three years between beginning of the year 2000 and the end of the year 2004 and has been in operation from 2005 until the start of the project activity;"

The documentation³ provided at validation demonstrated that the HCFC-22 production facility has more than three years operating history between 2000 and 2004, since it has been producing each year between 2000 and 2004⁴, as shown in the Table 1 (the same presented in the submitted PDD):

| Detail | Unit | Year | | | | |
|--|--------|---------|---------|---------|---------|---------|
| | | 2000 | 2001 | 2002 | 2003 | 2004 |
| CFC-11 | tonnes | 1,306.0 | 845.0 | 757.0 | 1,291.0 | 1,177.0 |
| CFC-12 | tonnes | 6,241.0 | 5,789.0 | 4,894.0 | 7,402.0 | 6,867.0 |
| Total CFC (11+12) | tonnes | 7,547.0 | 6,634.0 | 5,651.0 | 8,693.0 | 8,044.0 |
| Q_HCFC _{hist,swing} (CFC converted to HCFC22) | tonnes | 5,241.0 | 4,606.9 | 3,924.3 | 6,036.8 | 5,586.1 |
| Q_HCFC22 _{production} | tonnes | 225.0 | - | - | - | - |
| Q_HCFCe _{hist} (Q_HCFC+Q_HCFC22) | tonnes | 5,466.0 | - | - | - | - |

Table 1. Historical Production Plant 2

Moreover, the applicability conditions of version 3 of the methodology (applicable at the time of submission of project 0151) did not specify the conditions applicable to Quimobásicos' situation as in version 5.2. Under version 5.2, Plant 2 complies with the applicability condition, since it has produced HCFC-22 and CFCs in the year 2000. In addition the plant has more than three years of production between the period 2000 and 2004 and has been in operation after 2005 (Table 1). In combination with the answer provided in questions one and two of this request for review, SGS consider that Plant 2 is applicable as a CDM project under version 5.2.

At the moment of submitting the first project 0151, the Project Participant, based on their initial interpretation of AM0001, considered only the years 2002, 2003 and 2004 for the baseline determination (HCFCmax) of Plants 1 and 2. Since no HCFC-22 had been produced in Plant 2 during those three years, the EB required Plant 2 to be removed. As a consequence, the Project Participant accepted to exclude the Plant 2, as requested by the Board. After registration of project 0151 and continuous follow up of EB decisions and evolution of methodologies, the Project Participants concluded that Plant 2 was actually in compliance with the applicability conditions under the new methodology version 5.2, given that the methodology is not specific in regard to the amount of HCFC-22 produced or consecutiveness of such production. In other words, the methodology does not state that plants that did not produce HCFC-22 in consecutive years between 2000 and 2004 should not be eligible under this methodology. Consequently, based on the analysis of historical and current production records, sales receipts and legal documents; the DOE was in a position to validate that the project complies with this and all the applicability requirements of the methodology.

³ Quimobásicos provided a complete list of production records and invoices for Plant 2 HCFC22 and CFC production for all the years to be considered by the methodology. In addition to that, information of the operational start date of the plant was provided.

⁴ Note that Plant 2 has been operating since 1985.



We hope that this letter addresses the concerns raised by the Board. If further information is required, the following members of the Validation Assessment Team will be the contact persons for the review process and they would be available to address questions from the Board during the consideration of the review, if necessary.

Yours sincerely,

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Enclosures:

1. Description of utilization rate of plasma destruction facility of Quimobásicos Plant 1. (attached as *[PLANT 1 PLASMA UNIT CAPACITY.pdf]*)
 - a. This document indicates the current use of the plasma unit in Plant 1. Due to routine maintenance activities, the unit is used ~75% of the total time available (normal operation). In this time, the processing capacity is at or over 60kg/h
2. Statement of destruction capacity of plasma unit in Plant 1 by Plascon (technology provider, attached as *[Nameplate letter QB #1.pdf]*)
 - a. Letter provided by technology provider confirming the processing capacity of the plasma unit in Plant 1 at 60kg/hr
3. Process diagrams of Plants 1 and 2 indicating their flows and independence (attached as *[03_PROCESS DIAGRAM P1 and 2.pdf]*)
 - a. Process diagrams indicating the independence between Plant 1 and 2. It has been highlighted the fact that the production of each plant is destined to different storage tanks and that their emissions of HFC23 are also separate. If required, detailed plans and P&ID are available from the Project Participant.
4. Description of production capacity of HCFC 22 of Plants 1 and 2 (attached as *[HCFC 22 CAPACITY QUIMOBASICOS.pdf]*)
 - a. Indicating that Plant 1 and 2 have the same processing capacity of HCFC 22 at 10,220 tonnes