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Response to Incompleteness Notification regarding the Request for Registration/Issuance of project "Transalloys Manganese Alloy Smelter Energy Efficiency Project" (UNFCCC Ref. no. 1027), notification received "3rd November 2021"

Dear CDM team,

Please find below a summary response of the TÜV NORD JI/CDM Certification Program to the request for issuance incomplete for the above mentioned project activity.

With regard to this response, we would kindly request you to continue with the request for issuance process. If that cannot be done, please specify the request for issuance incomplete in more detail to prevent any misinterpretation. If you have any questions do not hesitate to contact us.

Yours sincerely,


Stefan Winter
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Request for Registration/Issuance Incomplete Reason (1)	
Scope and Issue raised by the UNFCCC Secretariat:	<p>The DOE shall report information (data and variables) provided in the monitoring report that is different from that stated in the registered PDD or any approved revised PDD, and has caused an increase in the estimates of GHG emission reductions or net anthropogenic GHG removals in the current monitoring period (paragraph 359 of VVS for PA version 2) The verification report states that “Especially the 2nd reason that the actual initial target of energy saving of 1.0 MWh/tSiMn was achieved compared to 0.4 MWh/tSiMn as applied to determine ex-ante emission reduction contributes to this high increase. Considering an energy saving of 1.0 MWh/tSiMn would lead to ex-ante ER of 568,889 tCO₂e considering all furnace would have been retrofitted and 402,823 tCO₂e considering only the actual retrofitted furnaces. Considering the latter this would be an increase of 1.77 or 177% compared to the value in PDD and hence shows that this is the actual reason for the higher actual achieved emission reductions during this crediting period. The increase in emission reduction is not due to a change in project design but due to the fact that the initial assumption on the actual energy saving was far too low.” The DOE is required to provide further information on whether this increase in the energy saving has impact on the additionality since</p> <ol style="list-style-type: none"> 1) the emission reduction claimed during this monitoring period is 177% more than the estimates in PDD and this is the 4th consecutive monitoring period in which the actual emission reduction is largely more than the PDD estimates and 2) the sensitivity analysis in the PDD (p 19) includes the energy saving.
Response by PP:	<p>The project consists of a technology change at the Transalloys smelter operation and came with many inherent uncertainties and risks. Basing the investment decision at the time on a reasonable, instead of optimistic, forecast of the potential benefits, was conservative. It was not, in any way, intended to understate GHG emission savings from the project.</p> <p>Although it was believed at the time that a saving of 1 MWh/tSiMn as indicated on page 1 of the PDD could be achieved over time, it is important to note that the technology change in the project context had never been applied before and the 1 MWh/t forecast was based on theoretical savings not operational results. For the three converted furnaces the actual saving realized where:</p> <ul style="list-style-type: none"> - Furnace 7: Avr. 0.62 MWh/tSiMn; - Furnace 5: Avr. 0.28 MWh/tSiMn; - Furnace 3 Avr. 0.49 MWh/tSiMn. <p>While the above context is important, the CDM's question needs to be addressed directly. Therefore, we redid the financial analysis as attached in Excel. The sensitivity analysis, as conducted 18 years ago, applied a range of assumptions and estimates, which, for obvious reasons, materialized differently given the inherent uncertainty in these forecasts. In the attached, we keep to the original assumptions, but recalculate the following scenarios regarding electricity savings as a result of the implementation of the project:</p> <ul style="list-style-type: none"> - 1 MWh/tSiMn electricity saving: Applying a 1MWh/tSiMn electricity saving in the sensitivity analysis. The original sensitivity assessment varies the electricity saving in scenario 2a. and 2c. with an additional 0.3 MWh/tSiMn (up to 0.4 MWh/tSiMn). These sensitivity analysis scenarios were adjusted to include a saving of 1MWh/tSiMn (from 2006). Under this scenario the project IRR (11.10%) does not breach the 12% threshold;

	<ul style="list-style-type: none"> - Actual electricity savings: The analysis was redone with the actual energy used data inserted into the sensitivity analysis. In this scenario the actual electricity consumption for furnace 7 (Avr. 0.62 MWh/tSiMn), Furnace 5 (Avr. 0.28 MWh/tSiMn) and Furnace 3 (Avr. 0.49 MWh/tSiMn) was applied. With a project IRR of 9.72% the sensitivity analysis shows that the project remains financially unattractive as the IRR remains below the 12% threshold; - Actual electricity savings, additionality baseline period 1997 – 2003: In addition to the actual energy used, the historic electricity consumption period was expanded from 2003 as applied in the financial model to 1997 – 2003 to determine electricity savings. The investment decision for the project was taken in 2004 based on the performance of the furnaces in 2003. To align the historic electricity consumption used in the project baseline as prescribed in the methodology the sensitivity analysis was redone using the electricity savings based on the historic electricity consumption over the period 1997 – 2003 instead of only 2003. Under this scenario the project IRR of 11.2% does not breach the 12% threshold. <p>For all the scenarios, the analysis shows that the project is still additional on the 12% NPV threshold. In conclusion, the increase in the energy saving does not affect additionality of the project.</p>
<p>Response by DOE:</p>	<p>The DOE has checked the provided re-calculation of the financial analysis and can confirm that all parameters have been kept the same besides the actual electricity savings. The financial analysis has been used at time of registration to demonstrate additionality of the related project activity. The electricity savings as initially anticipated of 1MWh/tSiMn have been applied correctly to the financial analysis. As per the result provided the project, as a result of the financial analysis, is still additional as the resulting IRR value (11.2%) is lower than the related benchmark value (12%) as per registered PDD.</p> <p>The related verification report has been updated accordingly.</p>