CDM: Recommendation form for Small Scale Methodologies (Version 01.1)

(To be used for presenting questions/proposals/amendments to the simplified methodologies for small-scale CDM project activity categories)

Date of SSC WG meeting:	09−12 October 2012, SSC WG 39
Title/Subject (give a small title or specify the subject of your submission, maximum 200 characters):	Clarification on the applicability of AMS-III.AG to low carbon intensive off-grid project activity
Indicative methodology to which your submission relates *(refer the items of Appendix B of the Simplified Modalities and Procedures)*, **if applicable:**	AMS-III.AG "Switching from high carbon intensive grid electricity to low carbon intensive fossil fuel"
Name of the authors of the query:	J. Elamathi Raja Institution: General Carbon, Mumbai elamathi.raja@general-carbon.com, pravin.jadhav@general-carbon.com

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.

Original text from PP/Stakeholder:

Description of project activity.

The project activity is a Greenfield centralized natural gas based power generation by an Independent Power Producer, which is replacing the baseline diesel generators belonging to PP's Industrial facility and nearby Industrial facilities through a dedicated grid. In the pre project scenario the industrial facilities were depending on DG sets and grid for the electricity, where maximum share is from DG sets because the grid power availability and quality is poor (load shedding and voltage fluctuation). But the grid connectivity is existing in the industrial units. .Also, there are few industrial consumers which are not connected to grid and rely only on project activity power.

The said centralized power generation unit by PP is first commercial off grid power producer in Nigeria.

Query 1 :

AMS IIIAG title says " *Switching from high carbon intensive grid electricity to low carbon intensive fossil fuel"*

Clarification required

The title of the methodology mention about switching from high carbon intensive grid electricity to low carbon intensive fossil fuel. But the project activity is power generation using natural gas supplying power to industrial units having DG sets power (only) and grid power (both). In reality project activity is replacing the DG power of industrial units since industry is more relying on DG power because of poor grid power quality. Through this clarification we would request SSC-WG to clarify whether the methodology is only applicable to carbon intensive grid source or applicable to above project activity case also.

Query 2:As per AMS III AG Para 1

This methodology comprises switch from a carbon intensive energy source (or mix of energy sources) to a single low carbon intensive energy source in existing and new industrial, residential, commercial, and institutional for electricity generation applications. This methodology is applicable only if the sole energy source or one of the energy sources in the baseline is high carbon intensive grid electricity (e.g., switch

from a diesel based captive electricity generation complemented by a grid electricity import to a natural gas based captive electricity generation)

Clarification required

One of the baseline energy sources for above project activity is high carbon intensive grid electricity. The diesel sets and grid were the baseline energy sources where electricity share from DG sets contributes to maximum. The project activity supply the natural gas based power to those industrial facilities wherein the DG power is dominated. The methodology says "it's applicable only if the sole energy source or one of the energy sources in the baseline is high carbon intensive grid electricity". But in the baseline, the share of grid electricity is very less in those industrial facilities and DG power dominates. In reality the project activity is replacing DG power. So through this clarification we would request SSC – WG to clarify the aptness of AMS III AG Para 1 to the above said project condition.

Query 3 : As per AMS III AG Para 2 and foot note 3

Non-element processes (e.g., gas turbine with heat recovery) are also included under this methodology, provided that emission reductions are only claimed for one of the outputs i.e., electricity. As an example gas firing combustion engines with heat recovery are not considered element processes as they produce electricity as well as recovered heat energy as output.

Clarification required

With respect to Para 2 of AMS III AG , the non elemental process are also included in the methodology project boundary were gas firing engine with heat recovery (i.e. waste heat recovery) is considered as Non-elemental process as per footnote 3 of methodology. But Para 5 of AMS III AG says, this methodology is not applicable to project activities utilizing waste gas or energy. Both the conditions (Para 2 and Para 5) seems contradicting each other.

Further, the project activity is natural gas based power generation with waste heat recovery system utilizes waste gas which is a non – element process where Para 5 of AMS III AG restrict the usage of methodology for above said conditions.

We would request SSC WG to clarify the contradiction existing between Para 2 and Para 5 conditions.

Query 4: As per AMS III AG Para 18 for Greenfield projects

In cases where the baseline scenario consists of the installation of new systems and/or the utilization of new energy sources, a Reference Plant shall be defined as the baseline scenario. The Reference Plant shall be based on common practice

Clarification required

The PP is a new off grid Independent Power Producer (IPP - Greenfield project) and has no operating history. For new installations, methodology (as per Para 18) recommends reference plant as baseline scenario based on common practice and reference plant emission is consider as baseline emission. Here the methodology al allows employing common practice as baseline scenario and the common practise is power generation through DG Sets before project activity implementation whose historical information is not available with PP. Also the IPP is supplying power to industrial facilities where DG power (CPP) with minimum share of grid power is used before the project activity implementation. In case if the electricity is sourced from grid and captive power plant in the absence of project activity, the Para 25 of AMS III AG recommends using combine emission factor of CPP and grid as baseline emission. But the ratio of Sources is maximum from DG set (let's say 99%) and very least from Grid (1%).

Hence we would request SCC WG to clarify whether the baseline for this project activity should be as per common practise (with respect to Para 18) or combined emission factor of CPP and grid (with respect to Para 25) for identifying baseline scenario emission.

Additional information from stakeholders

Additional clarifications from stakeholder were requested 26 September 2012 and the response received 02 October 2012. It is available at: <http://cdm.unfccc.int/methodologies/SSCmethodologies/clarifications/83762>.

Recommendation by the SSC WG:

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

Please refer to paragraph 26 of the meeting report of the SSC WG 39 <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 of the CDM Executive Board would like to thank the author for the submission.

The submission poses the following queries:

Query 1: To clarify whether the methodology AMS-III.AG is applicable to the described project since the title of the methodology says “switch from high carbon intensive grid electricity to low carbon intensive fossil fuel source”?

Query 2: To clarify whether the project activity whose baseline electricity source is either pre-dominantly (e.g., 99%) sourced from captive plant and least from a grid or only from captive plant is applicable under AMS-III.AG?

The SSC WG agreed to clarify as follows:

Response: it is noted from the submission that facilities served, i.e. provided electricity, by the project are: (a) users that in the pre-project case receive electricity from both the grid and diesel generators; and (b) users that in the pre-project case receive electricity from just diesel generators. It is also noted that the project facility will be a cogeneration facility. The SSC WG is of the opinion that since AMS-III.AG requires that the project boundary must include all of the users. As one of the applicability condition of AMS-III.AG is that “the sole energy source or one of the energy sources in the baseline must be a high carbon intensive grid electricity”, then the boundary for AMS-III.AG can only include the users described in (a) above who receive electricity both from the grid, as well as from diesel generators. For the group of users in group (b), the PP is advised to apply AMS-III.B “Switching fossil fuels” with the caveat that it can only claim ER for one of the two energy supply types from the project (i.e. ER can be claimed for either electricity or steam but not both). The SSC WG would also like to clarify that the SSC WG intends, in a future revision of AMS-III.B, to cover the project energy facility to have more than one output such as steam and electricity.

Query 3: Clarify the potential contradiction between paragraphs 2 and 5 of the methodology on project activities utilizing waste energy.

Response: as indicated in paragraph 2, the proposed project activity in which energy is recovered in the process of electricity generation (electricity which is generated in a fossil fuel engine) is used to produce additional electricity and/or steam is applicable under AMS-III.AG. The intention of paragraph 5 in AMS-III.AG is to exclude project activities utilising waste gas or energy as the primary source of energy for producing electricity, steam, etc.

Query 4: Clarify whether the baseline for the described project should be established as per reference plant approach (with respect to paragraph 18) or combined emission factor of CPP and grid (with respect to paragraph 25).

Response: the SSC WG believes that the baseline should be defined following the guidance provided in the methodologies and that the correctness of their approach (i.e. the baseline alternatives to a project and the selection of the most plausible baseline scenario) in principle should be justified to the validating DOE, using the relevant standards/tools/procedures/guidelines approved by the CDM Executive Board.

Signature of SSC WG Chair: Mr. Peer Stiansen

Date: 12/10/2012

Signature of SSC WG Vice-Chair: Ms. Fatou Gaye

Date: 12/10/2012

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History of the document

Version	Date	Nature of revision(s)
01.1	12 April 2012	Editorial changes to include new logo and other improvements.
01.0	2005	Initial publication.
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