

Information Note

NM0292 “Highly efficient power plant fuelled with blast furnace gas at TKCSA, in Rio de Janeiro, Brazil”

I. Background

1. The proposed new methodology (PNM) NM0292 was submitted in round 25 and first considered at the thirty-sixth meeting of the Meth Panel. The Meth Panel at its thirty-eighth meeting recommended the methodology for the approval of the CDM Executive Board (the Board). While considering this methodology the Board at its forty-seventh meeting requested the Meth Panel to address the following issues:
 - (a) Analyze possible issues related to the generation of waste gas of multiple types and their inter-linkages in the complex industry like integrated iron and steel plant. The analysis shall take into account the outcome of the ongoing consultancy assignment on waste energy recovery in complex iron and steel industry;
 - (b) Review the applicability condition requiring that the power generated in the project activity is used within the industrial facility and/or exported to the grid by the industrial facility;
 - (c) Review the rationale behind the requirement of determination of baseline efficiency based on the top 15% efficient power plants.
2. The fiftieth meeting of Meth Panel addressed the above mentioned issues and the methodology was considered again at the sixty-second meeting of the Board. The Board requested the Meth Panel to provide additional information on the rationale for the threshold of 20% for iron and steel plants in the host country which have combined or open-cycle gas based power generation using waste gas, as described in the common practice analysis of the PNM, and report back at the sixty-third meeting of the Board.

II. Analysis

3. The Meth Panel analyzed this issue and noted that:
 - (a) The methodology is only applicable to waste energy recovery projects in Greenfield iron and steel plants, hence, not for existing plants;
 - (b) Greenfield facilities, as compared to existing facilities, are more likely to have configurations that are optimized to minimize energy consumption (in particular regarding recovery of waste gases for production of heat or power for internal use);
 - (c) The barriers against installing an open cycle power plant in an iron and steel plant using waste gas is identical to the barriers against installing a combined cycle power plant. Therefore, it is reasonable to assume that in the absence of the CDM and in presence of strong barriers, both the technologies are likely to be similarly uncommon ;
4. This analysis suggests that during the demonstration of additionality, the credibility check of claimed technological barriers in a Greenfield facility should be performed at a higher level of stringency. However, after reassessing this specific case of NM0292, the Meth Panel considered that the threshold used in the common practice test for checking the credibility of barrier/investment analysis is not currently relevant due to the very low penetration of the underlying technology, as the technology is uncommon as of present. Furthermore, the methodology includes an elaborate, specific guidance for the determination of the baseline scenario and additionality.

5. The Meth Panel further noted that different thresholds for common practice and market penetration are provided in other approved methodologies.

6. The Meth Panel recommends that in the case of NM0292 no specific threshold is required to be established for the common practice analysis. Therefore, the Meth Panel has forwarded a revised version of NM0292 to the Board, which does not refer to this threshold.

- - - - -