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 MLEH/ETEL

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## Request for guidance: Application of AM0005 and AMS-I.D in China

We refer to last week's CDM Executive Board decision (EB-21), where DOEs are to request guidance from the CDM-EB prior to requesting registration of a CDM project or requesting issuance of CERs when they experience deviations from requirements stated in an approved baseline and/or monitoring methodology.

DNV hereby seeks guidance from the Board with regard to the application of AM0005 and AMS-I.D in China, in particular with regard to the calculation of the operating margin (OM) and build margin (BM) emission coefficient in accordance with AM0005 or AMS-I.D. Examples are the "Zhangbei Manjing Windfarm Project" (AM0005), the "Jilin Taonan Wind Power Project" (AM0005), the "Changling Wind Power Project" (AMS-I.D) and the "Maguan Daliangzi Hydro Power Project" (AM0005). The PDDs of these projects are published on DNV's website (<http://www.dnv.com/certification/climatechange/Projects/ProjectList.asp?Country=China>).

For the northern provinces of China, the data required by AM0005 and AMS-I.D to calculate the OM and BM emission coefficient are currently not publicly available. The main source of information on the Chinese electricity grid that is publicly available is the China Electric Power Yearbook.

The yearbooks contain total generation data for each type of power plants, i.e. hydro, coal, nuclear, oil and natural gas. In addition, the yearbook of 2003 (2002 data) contains average fuel consumption in tonnes of standard coal equivalent (tsce) for each province and each regional grid. This includes consumption of coal, oil and natural gas converted into tsce. The yearbook of 2004 (2003 data) contains the average fuel consumption in tsce for each province only and data for every regional grid are not available.

In the yearbook 2003 (data 2002), fuel consumption data are given for each fuel, i.e. coal, oil and natural gas, and for each province, but these data only comprise power plants with a capacity above 6 MW. Data for plants under 6 MW are not included. However, fossil-fuel based power plants under 6 MW are not many and thus deemed negligible. The yearbook of 2004 (2003 data) only contains coal consumption for each province (for power plants with a capacity above 6 MW). No data are available for oil and natural gas consumptions.

As a consequence the OM and BM emission coefficient is in the above mentioned projects calculated *ex-ante* with the following deviations from AM0005 or AMS-I.D:

- The emission coefficient for oil-fired and natural-gas fired power plants for 2003 can only be approximated by e.g. using average plant efficiencies or average emission factors.

- The group of power plants to be considered for the determination of the BM emission coefficient can not be selected as required by AM0005 or AMS-I.D (5 most recent plants or the most 20% of the generating units built) as no plant specific generation data are available. Instead, the capacity addition from one year to another is used as basis for determining the build margin, i.e. the capacity addition over 1 - 3 years, whichever results in a capacity addition that is closest to 20% of total installed capacity.

AM0005 requires that the OM and BM emission coefficient is recalculated *ex-post* on a yearly basis and for AMS-I.D *ex-post* calculation of the grid emission factor can be selected. As such, the necessary data for calculating the OM and BM emission coefficient according to AM0005 and AMS-I.D may be available in the future when emission reductions from the projects in question are verified and certified.

However, DNV questions whether projects using AM0005 or AMS-I.D can be validated and registered at a point of time where the data necessary to calculate the OM and BM emission coefficient according to AM0005 and AMS-I.D is not available. This is also acknowledged in TÜV-SÜD's validation report for the already registered "Huitengxile Windfarm Project", which states that "Regarding the Build Margin is it obvious from the statistical data that mainly coal fired power plants have been newly built. But in contrast to rules prescribed in the methodology the calculation is based on "installed capacity" figures rather than on "generation" figures. This might result in an incorrect prediction of the build margin." (Page 12 of Report No. 451775, Revision 01).

We kindly request guidance from the CDM-EB on how to handle this issue before we proceed with a request for registration for any of the projects in question. We are reluctant to request the registration of a CDM project for which there is a risk that the data required for the *ex-post* monitoring and reporting of emission reductions may not be available, in particular for the calculation of the BM emission coefficient. Alternatively, the projects in question could apply an average OM emission factor including low-operating cost and must-run power plants as stipulated by ACM0002 or AMS-I.D even though not all data required by these approaches is available either (no oil and natural gas consumption for 2003).

Yours faithfully  
for DNV CERTIFICATION



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