

Note on expansion of methodologies for project activities on recovery and destruction of industrial gases to include new facilities

Applicability of the approved methodologies for project activities on industrial gas recovery and destruction (for example N₂O from production of nitric acid and adipic acid) is currently limited to existing facilities, which were in operation by a certain date.

The Meth Panel noted the increasing number of submission of proposed new methodologies and requests for revision to approved methodologies to expand their scope to include new facilities, i.e. those not meeting the criteria specified in the respective methodology.

The Meth Panel is of the opinion that, while such project activities may be eligible under the CDM, there would be a potential for intentional or unintentional overestimation of emission reductions due to, but not limited to, the possibility of the following situations:

- New plants may be configured to intentionally increase the byproduct emission rate, or deliberately neglect to implement “business-as-usual” measures, which help decrease such emissions;
- New plants may divert the supply of products from existing plants, which may have a lower emission factor (or have an abatement device already installed);
- New plants may divert the supply of products imported from existing and/or new plants in Annex I countries (or have the same effect by exporting to Annex I countries). This can lead to a possible double counting since the amount of emissions displaced in Annex I countries due to the decreased production can be once again counted as CERs;
- New plants, registered as CDM project activities, may reduce the price of the product, increasing thereby the demand of this product in the market. In an extreme case, the plant itself may become profitable solely due to the revenue of CERs, where producing the “byproduct” and dumping / wasting the “main product” makes business sense;
- The registration of new plants as CDM project activities may prevent the dissemination of new technologies, which do not give rise to (or result in less) byproduct emissions.

Therefore, the Meth Panel is of the view that in future submissions on this category the issues above and other relevant issues should be adequately addressed, either by developing a method to conservatively calculate emission reductions or proving a detailed explanation on why the above issues are not relevant for the underlying project activity.

The Meth Panel acknowledges that in many recent submissions efforts have been made to address these issues. In order to address such issues in future submissions, the Meth Panel encourages respective project proponents to provide a detailed description of the global production, trade and consumption patterns and technology trends with respect to the industry concerned.

The Meth Panel also notes that the eligibility of project activities, which recover and destroy HFC-23 from new HCFC-22 production facilities (i.e. those not meeting the criteria stipulated in AM0001), is currently under discussion in the COP/MOP. Therefore, this issue is not covered by the current note and will not be discussed by the Meth Panel until a decision on the matter is taken by the Parties.