

Information note

The consideration of excluding consumers from project boundary in case of ACM0017 (Production of biodiesel for use as fuel)

I. Background

1. The CDM Executive Board (the Board) at its fifty sixth meeting while approving the methodology AM0089 “Production of diesel using a mixed feedstock of gasoil and vegetable oil”, requested the Meth Panel to consider whether in case of AM0089 consumers may be excluded from project boundary.
2. Following the request from the Board, the Meth Panel revised the approved methodology AM0089 excluding the consumers from project boundary. The Board at its fifty eighth meeting further requested the Meth Panel to consider the revision of the approved consolidated methodology ACM0017 “Production of biodiesel for use as fuel” along the same lines, and report to a future meeting of the Board.

II. Existing guidance

3. In the case of ACM0017, consumers are included in the project boundary as per the “Guidance on double-counting in CDM project activities using blended biofuel for energy use” (EB 26, Annex 12). The aim of the guidance is to avoid double-counting of emission reductions that could occur in project activities if both biofuel producers and biofuel users are eligible to claim CERs and where such double-counting could occur at different points in the production chain.

III. The Meth Panel’s view on the exclusion of consumers from project boundary in case of ACM0017

4. In the case of ACM0017, the Meth Panel believes that the double-counting of emission reductions is possible as the issues highlighted in the “Guidance on double-counting in CDM project activities using blended biofuel for energy use” (EB 26, Annex 12) are still relevant due to following reasons:
 - (a) The project activity produces pure biodiesel which is clearly distinguishable from the conventional diesel. Therefore the consumer of biodiesel can claim emission reductions for its use;
 - (b) The biodiesel produced from the project activity plant will be supplied to the local market in the host country. This may allow other local plants, which were supplying the same market before the implementation of the project activity, to export biodiesel to Annex I countries. In the final effect, the production of biodiesel in the project activity plant, may result in displacement of diesel consumption in Annex I countries. Therefore, the risk of double counting the emission reductions in the national inventory of Annex I country is plausible.
5. These are in contrast with the case of AM0089, as described below.

IV. The Meth Panel's view on the exclusion of consumers from the project boundary in the case of AM0089

6. In the case of AM0089, the Meth Panel believes that the double-counting of emission reductions is not likely due to following reasons, and therefore consumers can be excluded from project boundary:

- (a) The project activity produces petro/renewable diesel by switching the feedstock of the hydrodesulphurization process (HDS) unit from 100% gasoil to a mixture of gasoil and vegetable oil. The final product (petro/renewable diesel) is diesel which contains part of hydrocarbons from fossil fuel source and part from vegetable oil source. There is no simple way to distinguish renewable diesel from the conventional diesel at the consumer level. Once the vegetable oil goes through the HDS unit, it is transformed in molecules that are also present in conventional petrodiesel. This makes it virtually impossible that the consumers can claim emission reductions for the use of petro/renewable diesel.
- (b) The methodology contains an applicability condition "The petro/renewable diesel produced under the project activity is not exported to the Annex I country". Therefore, the risk of double counting the emission reductions in the national inventory of Annex I country is avoided.

History of the document

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