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Att: CDM Executive Board

Your ref.:
 CDM Ref 0151

Our ref.:
 MLEH/ETEL

Date:
 07 April 2006

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Response to request for review

Request of registration of the “Quimobásicos HFC Recovery and Decomposition Project”

Dear Members of the CDM Executive Board,

We refer to the requests for review raised by five Board members concerning DNV’s request for registration of the “Quimobásicos HFC Recovery and Decomposition Project” (Ref 0151) and would like to provide an initial response to these requests for review.

The two requests* for review that include details on the reason for requesting a review point out that that the swing plant that has produced CFC in the past does not meet the applicability criteria of AM0001 and that only the swing plant that has produced HCFC 22 in the past is eligible as CDM project activity.

DNV acknowledges that AM0001 can be interpreted differently concerning its application on the “Quimobásicos HFC Recovery and Decomposition Project”. Before providing a justification of DNV’s interpretation of the applicability of AM0001 and consequently DNV’s acceptance to also include the swing plant that has produced CFC in the past in the proposed CDM project activity, we would like to draw attention to the following facts:

- a) One of the applicability criteria of AM0001 is that “this methodology is applicable to HFC 23 (CHF3) waste streams from an existing HCFC 22 production facility with at least three (3) years of operating history between beginning of the year 2000 and the end of the year 2004 where the project activity occurs [...]”.
- b) AM0001 limits the production of HCFCs for which HFC 23 emission reductions can be claimed “to the maximum historical annual production level at this plant (in tonnes of HCFC 22) during any of the last three (3) years between beginning of the year 2000 and the end of the year 2004, including CFC production at swing plants adjusted appropriately to account for the different production rates of HCFC 22 and CFCs.”
- c) The HCFC 22 production facility of Quimobásicos S.A. de C.V.’s located in Monterrey, Mexico, includes two separate production lines, each consisting of a swing plant capable of producing either HCFC 22 or CFC. Due to efficiency reasons, Quimobásicos typically operated the two production lines, so that one line has been producing HCFC 22 only

* Only two of the five requests review include details on why a review has been requested. Hence, our response only addresses the issues raised by these two requests for reviews.

while the other has been producing CFC only. Nonetheless, it must be noted that the CFC producing line was originally installed to produce HCFC 22 and was also producing HCFC 22 in the year 2000.

- d) Quimobásicos no longer produces CFC in accordance with the phase out program for CFCs in developing countries set by the Montreal Protocol. The swing plant producing CFC in the past was converted to produce HFCF 22 on 25 August 2005 and it started to produce HCFC 22 on 18 September 2005. According to the Audit of the Project MEX/PRO/40/INV/115, "Sector Plan for Phasing out of CFC-11 and CFC-12 in the Production Sector" (fourth tranche), the plant was allowed to convert the CFC producing swing plant to the production of HCFC 22 as a consequence of the Agreement "UNEP/OzL.Pro/ExCom/40/50" (2002).

In DNV's opinion, the inclusion of the swing plant having produced CFC in the past is thus in accordance with AM0001 due to the following reasons:

- i) The production facility of Quimobásicos comprises existing HCFC 22 production with at least three (3) years of operating history between beginning of the year 2000 and the end of the year 2004. The fluorocarbon production facility of Quimobásicos Mexico has been in operation since 1963.
- ii) The approach of AM0001 for limiting the HCFC 22 production capacity and thus the HFC 23 emission reductions that can be claimed allows for inclusion of the historic CFC production levels. As such, AM0001 clearly allows the inclusion of CFC to determine the maximum HFC 23 emissions that would have occurred in absence of the project given historic production levels, recognising that according to the phase out program for developing countries set by the Montreal Protocol CFC production will be replaced by HCFC 22 production in non-Annex I Parties.
- iii) The swing plant previously producing CFC was in autumn 2005 converted to production of HCFC 22 only in accordance with the phase out program for CFCs in developing countries set by the Montreal Protocol. Moreover, the swing plant previously producing CFC already produced HCFC 22 during the year 2000.

The fact that one swing plant has only produced CFC in the past and the other swing plant only HCFC 22 does in our opinion not justify to exclude the swing plant that previously produced CFC from the CDM project activity. Hence, we disagree with the comment raised by one member of the Board that "It [AM0001] does not permit a plant, which does not make any HCFC 22, but only CFC, to qualify for CDM, by converting CFCs into equivalent HCFC 22 for the purpose of qualifying for CDM". The conversion of CFC to HCFC 22 at Quimobásicos production facility is a result of the phase out program for CFC in developing countries set by the Montreal Protocol and not a result of the proposed CDM project activity. If the operational set up of Quimobásicos had let both of the swing plants produce CFC and HCFC 22, resulting in the same amount of CFC and HCFC 22, the inclusion of both plants would not have been questioned. Thus, whether HCFC 22 and CFC are produced separately or jointly in two different production lines of the same facility is not a matter of concern.

Following the Board's discussion on AM0001, it is our understanding that the reason for a) limiting the applicability of AM0001 to existing HCFC 22 facilities only and b) limiting HFC 23 emission reductions to the maximum HFC 23 emissions that could occur given historic production levels of HCFC 22 and CFC was to avoid that the CDM could become an incentive to move HCFC 22 production from Annex I Parties to non-Annex I Parties. This was to avoid that HFC 23 emission reductions could be claimed for the resulting increasing HCFC 22 production in non-

Annex I Parties. However, this is clearly not an issue in the case of the “Quimobásicos HFC Recovery and Decomposition Project”. By limiting the HFC 23 emission reductions to the maximum HFC 23 emissions that would have occurred in absence of the project given historic production levels of HCFC 22 and CFC at Quimobásicos, the HFC 23 emission reductions that can be claimed are limited to the historic production levels of Quimobásicos.

We hope that the Board accepts the above explanations and we look forward to a constructive dialogue on how AM0001 should be applied on the “Quimobásicos HFC Recovery and Decomposition Project”.

Due to the requirement that a project’s crediting period may only start after the registration date, the requests for reviews raised by five members of the Board will no longer allow the project to apply a crediting period starting 1 April 2006. Hence, the project will not be allowed to claim CERs for emission reductions (approximately 10 000 tons CO₂ equivalents per day) from 1 April 2006 until the eventual registration of the project. Due to financial reasons, the project participant have thus requested us to seek guidance by the Board whether the project may still be allowed to have the crediting period starting on 1 April 2006 in case the members of the Board at its 24th meeting 10 - 12 May 2006 decide not to carry out a review of the request for registration of the “Quimobásicos HFC Recovery and Decomposition Project”.

Yours faithfully
for DNV CERTIFICATION



Einar Telnes
Director
International Climate Change Services



Michael Lehmann
Technical Director