



Annex 59
Information Note:
Previous rulings related to the appropriateness of benchmarks for
project activities utilizing waste heat/waste gas for power generation

I. Introduction

1. At previous meetings the Executive Board considered requests for reviews and reviews of request for registration of project activities utilizing waste heat or waste gas for the production of electricity, for which a primary concern raised had been the appropriateness of the applied benchmark.
2. The Board has made rulings on such cases and in subsequent responses, stakeholders have informed the Board that they could not understand the rationale for these rulings.
3. The Board has an ongoing work programme to expand the rationale of its case specific rulings.
4. The purpose of this information note is to provide an explanation of previous rulings to allow stakeholders to understand how the Board has previously applied its rules and guidelines on a case by case assessment of the requests for registration referred to above. This information note is provided for explanatory purposes only and is not to be considered as general guidance.

II. Background

5. The project activities to which this note applies are those which utilize the waste heat and/or waste gas of an industrial facility to produce electricity. These proposed CDM project activities applied investment analysis (benchmark approach) to demonstrate additionality. In accordance with the “Tool for the demonstration and assessment of additionality” the IRR of the project activities was assessed against a government approved benchmark. This benchmark was related to investments on the core business of the project developer; either iron/steel or cement production.
6. Individual members of the Executive Board requested a review of these requests for registration, expressing concern regarding whether the applied benchmarks appropriately reflected the risk profile of the investment being made.
7. Where three or more members requested a review the Executive Board considered these requests for registration in accordance with the Procedures for review as referred to in paragraph 41 of the CDM modalities and procedures (decision 4/CMP.1, annex III)

III. Facts considered and rationale of rulings made

8. For each request for registration considered by the Executive Board one key fact was assessed. This related to whether or not the project produced electricity predominantly for captive consumption or predominantly for export to other users via the electricity grid.
9. For projects in which the electricity was being produced for captive consumption the benchmark of the core business was considered to be appropriate, as the project was considered to be an investment in the operation of the core business.
10. For projects in which the electricity was being exported to the grid the benchmark of the core business was not considered to be appropriate, as the project was considered to be an investment in



power production and therefore to face a risk profile different to that of the core business of the project developer.

11. In undertaking this assessment the Board considers that if 75% or more of the power output was meant for consumption by users other than the industrial facilities from which the waste heat/waste gas/waste pressure is derived, the proposed CDM project activity can be considered as predominantly exporting to the grid, and if 75% or more was meant to be consumed within the industrial facilities from which the waste heat/waste gas/waste pressure is derived the proposed CDM project activity can be considered as predominantly for captive consumption.

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