

Final Ruling Regarding the Request for Registration of

“Inner Mongolia Wuhai 30 MW Waste Gas Power Generation Project” (4040)

The CDM-Executive Board has decided to reject the above proposed project activity on the 8th of September 2011 in accordance with “*Procedures for review of requests for registration*”, version 1.2, EB 55, Annex 40, Paragraphs 20 and 28 (the procedures). In accordance with paragraph 27 of the procedures, the rulings shall contain the reasons and rationale for the final decision, which are as follows:

- The DOE (KECO) has failed to substantiate the additionality of the project activity as the DOE has not validated the suitability of input values to the investment analysis in line with paragraphs 111(a) of the Validation and Verification Manual, version 1.2 (VVM). Further, the DOE has also failed to demonstrate the suitability of the identified baseline scenario as it has not justified elimination of baseline alternatives in line with ACM0012 v3.2 (the methodology).
- VVM, version 1.2, Paragraph 111(a) states that *"the DOE shall conduct a thorough assessment of all parameters and assumptions used in calculating the relevant financial indicator, and determine the accuracy and suitability of these parameters using the available evidence and expertise in relevant accounting practices"*.
- The DOE failed to justify suitability of the electricity tariff, in particular, usage of the export electricity tariff both for the electricity consumed internally and exported to the grid though the import and export electricity tariffs are different for the proposed project activity. It is also not clear why cost savings due to avoided electricity import cannot be considered as income in the investment analysis, considering that the project will displace electricity (24% of total electricity generation) that in the absence of the proposed project activity would have been imported from the grid.
- ACM0012 v3.2, step 3 of identification of the baseline scenario states that “ *identify the most plausible baseline scenarios by eliminating non-feasible options (e.g. alternatives where barriers are prohibitive or which are clearly economically unattractive).* ”
- The DOE also failed to demonstrate suitability of the identified baseline scenario (waste gas is vented into the atmosphere after incineration and power is supplied through the grid) since it has not justified elimination of baseline alternatives (W5, W6 and P7), in particular, the DOE has neither sufficiently substantiated prohibitive barriers nor undertaken financial analysis to eliminate alternatives W5 and W6; and it also did not present IRR calculation of captive power generation to substantiate that the project IRR of the captive electric generation (P7) is lower than the proposed activity.

Please note, however, that, with appropriate revisions, this project activity may be resubmitted for validation and registration provided it meets the requirements for validation and registration, in accordance with paragraph 42 of the CDM Modalities and Procedures (Decision 3/CMP.1).



History of the document

Project 4040	Related to EB 55 Annex 40 Paragraphs 20, 27 and 28 8 Sep 2011	Decision Class: Ruling Document Type: Information Note Business Function: Registration
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