

Final Ruling Regarding the Request for Registration of “Biomass based co-generation project” (4407)

The CDM-Executive Board decided to reject the above proposed project activity on the 29th September 2011, during its 63rd meeting, in accordance with “*Procedures for review of requests for registration*”, version 1.2, EB 55, Annex 40, paragraphs 23, 24 and 28 (the procedures). In accordance with paragraph 27 of the procedures, the rulings shall contain an explanation of the reasons and rationale for the final decision, which are as follows:

- The DOE (TÜV-Nord) has failed to demonstrate the additionality of the project activity and meet the validation requirements as the DOE has not adequately substantiated the investment analysis, in accordance with version 5.2 of the “Tool for the demonstration and assessment of additionality” (the Additionality Tool), page 6, paragraph 2; and has also failed to justify the barrier analysis, in line with version 1.2 of the Validation and Verification Manual (VVM), paragraphs 116 and 117.
- Additionality Tool, page 6, para.2 states that “*Identify the financial indicator, such as IRR, NPV, cost benefit ratio, or unit cost of service (e.g., levelized cost of electricity production in \$/kWh or levelized cost of delivered heat in \$/GJ) most suitable for the project type and decision-making context*”. Further the VVM, paragraph 116 states that “*Issues that have a clear direct impact on the financial returns of the project activity cannot be considered barriers and shall be assessed by investment analysis*”; and para. 117 (a) states that “*the DOE shall assess the available evidence and/or undertake interviews with relevant individuals (including members of industry associations, government officials or local experts if necessary) to determine whether the barriers listed in the PDD exist. The DOE shall ensure that existence of barriers is substantiated by independent sources of data such as relevant national legislation, surveys of local conditions and national or international statistics*”.
- The DOE has failed to justify the suitability of the financial indicator, since in the response to the request for review, it has neither explained how the levelized cost calculation was done nor submitted a replicable investment analysis spreadsheet which shows that the annual costs and power generation outputs were levelized or discounted to the present value using an appropriate discount factor. With regard to the analysis of barriers, the DOE has failed to justify the technological barrier that was used as one means of demonstrating additionality. While the DOE acknowledged that the increased fuel cost due to lower efficiency of the biomass boiler may be assessed by investment analysis; however, the impact of this investment analysis on the unit cost comparison between the baseline and the project activity could not be assessed as the investment analysis was not adequately explained. The DOE also failed to justify “Other barrier” (electricity deficit faced by the palm oil refinery plant). Although the DOE explained that with the CDM benefit, the unit cost of power generation for the project activity will be lower than that of importing electricity from the grid; it is not clear why importing from the grid could be an alternative to the project activity, considering that both power and heat is provided by the proposed project activity. Furthermore, the DOE has also acknowledged that this barrier can be assessed in an investment analysis but did not adequately explain this analysis. Finally, the DOE also failed to justify the prevailing practice barrier. Despite citing the importance of temperature control in refinery plants



based on a research; the DOE did not demonstrate that this fact has led to most refinery plants using fossil fuel based boiler.

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 4407	Related to EB 55 Annex 40 Paragraphs 23, 24, 27 & 28 29 September 2011	Decision Class: Ruling Document Type: Information Note Business Function: Registration
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