

Final Ruling Regarding the Request for Registration

“Energy efficiency improvements of Pucheng Power Plant through retrofitting turbines in China” (4667)

The CDM-Executive Board decided to reject the above proposed project activity on 25th November 2011, during 65th meeting of the Board in accordance with the *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 ruling shall contain an explanation of the reasons and rationale for the final decision which are as follows:

- The DOE (JQA) failed to substantiate the additionality and the baseline calculations of the project activity as per their respective requirements under VVM version 1.2 paragraph 117, *Guidelines for objective demonstration and assessment of barriers* version 1, paragraph 7; VVM version 1.2 paragraph 111 (a); 91 and AM0062 version 1 page 8.
 - VVM version 1.2 paragraph 117 states that: *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. If existence of a barrier is substantiated only by the opinions of the project participants, the DOE shall not consider this barrier to be adequately substantiated.*
 - Guidelines for objective demonstration and assessment of barriers version 1, paragraph 7 states that: *Barriers that can be mitigated by additional financial means can be quantified and represented as costs and should not be identified as a barrier for implementation of project while conducting the barrier analysis, but rather should be considered in the framework of investment analysis.*
 - VVM version 1.2 paragraph 111 (a) states that: *To verify the accuracy of financial calculations carried out for any investment analysis, 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.*
 - VVM version 1.2 paragraph 91 states that: *The DOE shall verify the justification given in the PDD for the choice of data and parameters used in the equations. If data and parameters will not be monitored throughout the crediting period of the proposed CDM project activity but have already been determined and will remain fixed throughout the crediting period, the DOE shall assess that all data sources and assumptions are appropriate and calculations are correct, applicable to the proposed CDM project activity and will result in a conservative estimate of the emission reductions. If data and parameters will be monitored on implementation and hence become available only after validation of the project activity, the DOE shall confirm that the estimates provided in the PDD for these data and parameters are reasonable.*
- The DOE has failed to demonstrate the additionality of the project activity based on *first-of-its-kind* barrier as it remains unclear how the DOE justified limiting the range used for comparisons to the 300 MW class rather than including the whole range of the medium-scale which covers a range of 200-400 MW class turbines. The DOE also failed to substantiate the lack of domestic technologies

that was claimed as a technological barrier by the project participant. Furthermore, the DOE did not sufficiently explain why technical risks relating to the use of foreign technology (European or the US) is a barrier that cannot be assessed through investment analysis in accordance with *Guidelines for objective demonstration and assessment of barriers* version 1, paragraph 7. The DOE has therefore failed to meet the requirements of paragraph 117 of version 1.2 of the VVM.

- Further, the DOE failed to demonstrate the suitability of the saving due to coal consumption applied in the IRR calculation as the savings were accounted with the electricity generation remaining the same before and after the retrofit. The DOE explained that the electricity generation is based on power purchase agreements. However, it is not clear how the agreements limit the electricity supplied by the project activity (phase I) as they refer to the three phases (I, II and III) and it is not specific to the project activity in accordance with VVM, version 1.2, paragraph 111 (a).
- With regard to the baseline emission calculation, AM0062 version 1 page 8 provides three options to calculate baseline emissions:
 - Option a - The quantity of electricity generated in the project activity turbine (EGPJ,y) exceeds the maximum annual quantity of electricity that the turbine could have produced prior to the implementation of the project activity (EGMAX).
 - Option b - The quantity of electricity generated in the project activity turbine (EGPJ,y) exceeds the historic average annual generation level (EGAVR) but is lower than the maximum annual quantity of electricity that the turbine could have produced prior to the implementation of the project activity (EGMAX).
 - Option c - The quantity of electricity generated in the project activity turbine (EGPJ,y) is lower or the same as the historic average annual generation level (EGAVR).
- The DOE failed to substantiate the baseline emissions calculations as it is not clear whether option (c), electricity generated is lower or the same as the historic average, applies to the project activity considering the increase in the installed capacity after retrofit, in accordance with VVM version 1.2 paragraph 91 and AM0062 version 1 page 8.

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 4667	Related to EB 65 Meeting Report Paragraph 64 25 November 2011	Decision Class: Ruling Document Type: Information Note Business Function: Registration
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