

Final Ruling Regarding the Request for Registration of

“Waste Heat Recovery for Power Generation Project in SGIS Songshan Co., Ltd.” (4692)

The CDM-Executive Board decided to reject the above proposed project activity on the 2 March 2012, 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 an explanation of the reasons and rationale for the final decision, which are as follows:

- The DOE (DNV) failed to substantiate the additionality of the project activity and to meet the requirements for validation of the suitability of input values to the investment analysis in line with version 1.2 of the validation and verification manual (VVM), paragraph 111 (a) and (b), in particular the assumed annual power generation; and the annual O&M cost.
- Paragraph 111 of the VVM states that “*To verify the accuracy of financial calculations carried out for any investment analysis, the DOE shall: (a) 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; (b) Cross-check the parameters against third-party or publicly available sources, such as invoices or price indices*”.
- The DOE failed to substantiate the suitability of the assumed annual power generation in the investment analysis in line with the VVM, version 1.2, paragraph 111 (a) and (b) as it is not clear:
 - a) whether the 23.9 MW is the heat input to the steam turbine/boiler or output of the generator;
 - b) how the heat input is determined;
 - c) why the boiler efficiency is considered while estimating the power generation if the heat input to the steam turbine is used to estimate the power generation;
 - d) whether the assumed annual operation hours of 7,344 is suitable for the proposed activity;
 - e) whether the generation efficiency of 80% is the overall energy efficiency of the power plant.
- The DOE also failed to substantiate the suitability of the annual O&M cost in the investment analysis in line with the VVM, version 1.2, paragraph 111 (a) and (b) as: (i) it has not justified the appropriateness of the financial indicator (ratio of annual O&M to total investment), which was used to justify the suitability of the annual O&M cost at the request for registration stage; and (ii) the ratio of annual O&M to power generation (new proposed financial indicator) of the project activity is 30% higher than those of similar projects. Furthermore, the DOE also failed to justify the suitability of three elements of the annual O&M cost (assumed payroll, operation and maintenance expense, and cost of nitrogen & water), which represent more than 97% of annual O&M cost and 12% of the total investment cost.

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 4692	Related to EB 55 Annex 40 Paragraphs 20, 27 & 28 2 March 2012	Decision Class: Ruling Document Type: Information Note Business Function: Registration
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