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2 October 2004

Mr. Jean-Jacques Becker, Chair
CDM Methodology Panel
c/o CDM Secretariate
UN Framework Convention on Climate Change
[transmitted via E-mail]

RE: Comments on CDM AM0001

Dear Mr. Becker,

On behalf of the DuPont Company, I would like to offer the following comments with respect to the call for public input on CDM approved methodology AM0001, relating to projects proposing to reduce byproduct emissions of HFC-23 associated with the production of HCFC-22.

In addition to these comments specifically in response to this call for input, I would also like to request that my communication to you via the CDM Secretariate on 3 June 2004, also be considered as public input into this review, along with the associated documents transmitted in that communication. In addition to my note to you, that documentation included a summary of information submitted by DuPont to the Intergovernmental Panel on Climate Change (IPCC), concerning significantly reduced rates of byproduct-production of HFC-23 in conjunction the production of HCFC-22; and a copy of the third-party verification audit documenting the emission levels achieved. While the transmittal of 3 June was merely a transmittal for the information of the CDM decision makers, we believe for the reasons outlined below that it is very relevant to the current review of AM0001.

Incidentally, for your information, the IPCC has not, as of the date of this writing, completed its processing of the information referenced in the 3 June communication.

With respect to the current review of AM0001, let me first note the DuPont Company is a major manufacturer of HCFC-22, and has dramatically decreased the emission of HFC-23 from major facilities in The Netherlands and the United States by reducing the production of HFC-23 and by thermal destruction of the remaining HFC-23. In the case of the US facility, we have achieved a sustained ratio of .01374 tonnes of HFC-23 produced per tonne of HCFC-22 manufactured (as documented in the above referenced material, previously transmitted). This compares quite favorably to the current IPCC default value of 4%. For this reason, we have submitted to the IPCC verification of this sustained “state of the art” level and requested its incorporation into the IPCC Emission Factor Data Base.

In conjunction with the subject request for comment, however, it is important to note that while the process technology behind that low HFC-23 production ratio is cost-effective, the overall cost required to destroy the remaining HFC-23 is still significant. DuPont has been willing to absorb these costs as part of our larger commitment to enhance sustainability of our operations. We are well aware, though, that many companies will still require some financial incentive to

remove these significant GHG streams. We therefore are very supportive of enabling such projects through incentives provided by the CDM, and find the approve methodology, AM0001, to be generally sound in calculating baselines for such projects, with the exception noted below.

The vital aspect of the HFC-23 CDM projects that needs to be understood to appreciate this methodology is simply that there are two distinct elements to be considered. The first is the volume of HFC-23 produced in the first place. This is a function of the volume of HCFC-22 produced and efficiency of the process technology employed. The second is the thermal destruction of whatever volume of HFC-23 is produced. The DuPont Company believes that to avoid any unanticipated interplay between these two elements, the methodology applied to these projects should not only reward destruction of HFC-23, but also discourage HFC-23 production above what can be achieved with state of the art, cost effective technology.

In this context, one section of the approved methodology does warrant revision. That is that section specifically taking into account the emission factor ratio referenced above. You will recall that that section is specifically designed to "*exclude the possibility of manipulating the production process to increase the quantity of waste."* There is, in the view of the DuPont Company, a legitimate concern in this area. We believe that there is a danger that failure to constrain creditable emission reductions to the level associated with state-of-the-art, risks inadvertent incentives to produce high levels of HCFC-22 and thus secure emission credits for the destruction of associated HFC-23. This effectively discourages efforts to minimize the amount of HFC-23 produced in the first place and will thus inhibit advancement of "state of the art" technologies in developing nations. We do not believe this to be in the interest of a CDM process intended to stimulate progress toward sustainable development.

To correct the inadvertent effect of the current wording, DuPont suggests that the Methodology Panel consider possible revision of the subject section of AM0001 along the following lines:

> *To encourage waste minimization and exclude the possibility of manipulating the production process to increase the quantity of waste, the quantity of HFC 23 waste (Q_HFC23y) is limited to a fraction (w) of the actual HCFC production during the year at the originating plant (Q_HCFCy).*
>
> *Q_HFC23y ¡Ü Q_HCFCy * w*
>
> *Where Q_HCFCy is the actual production of HCFCs during the year at the plant where the HFC 23 waste originates measured in metric tonnes. The coefficient w is the waste generation rate (HFC 23)/(HCFC 22) for the originating plant. The value of w is set at the lowest actual value during the three years prior to the start of HFC 23 destruction to a maximum of the lowest value in the IPCC Emission Factors Data Base or the lowest reported value sustained over at least a one-year period that has been verified by the CDM Methodology Panel. If the waste originates at a new plant or no historical data are available, the lowest value of HFC 23 produced per tonne of HCFC 22 manufactured listed in the IPCC Emission Factors Data Base or the lowest reported value that has been sustained over at least a one year period and that has been verified by the CDM Methodology Panel shall be used.*

It is our understanding that the call for input on this methodology was in part motivated by concern over the potential global warming implications for Montreal Protocol gases such as HCFC-22. DuPont believes that extension of CDM consideration to gases specifically excluded from the purview of the Kyoto Protocol is neither necessary nor advisable. However, we do

understand the concern that there is risk of inadvertent incentive to produce additional HCFC-22 in order to secure credits for destruction of the associated HFC-23. We believe the slight modification suggested above for the approved methodology should effectively guard against incentives to increase production of HCFC-22 and therefore minimize any potential interference with the objectives of the Montreal Protocol. We see that the challenges of creating a novel global enterprise such as the CDM are already quite formidable, and have already generated no small degree of concern as lofty expectations have met practical realities. We fear that opening the process to considerations of greenhouse gases outside the Kyoto Protocol will be perceived as a precedent threatening and complicating an already very complex process.

In sum, we believe adoption of the slight change in referencing the lowest sustained, validated HFC-23/HCFC-22 ratio in baseline calculation in AM 0001 will have three important effects:

- HFC-23 projects will no longer actively discourage the adoption of process optimization technologies that are environmentally superior;
- The quantity of CERs produced per tonne of HCFC-22 will be limited, reducing the potential that HFC-23 CERs will stimulate HCFC-22 production; and
- Existing and future HCFC-22 facilities will continue to have good incentive under AM0001 to reduce their HFC-23 emissions to the benefit of the climate.

If you have any questions regarding this matter please feel free to contact me, or to contact our manager for this initiative, Dr. Mack McFarland. Our E-mail contact details are as follows:

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Sincerely,

[transmitted via E-mail]

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cc: CDM Methodology Panel
CDM Executive Board