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K L Chandak

From: "K L Chandak" <klichandak@westcoastpaper.com>
To: <secretariat@unfccc.int>
Cc: <cdm-info@unfccc.int>
Sent: Thursday, August 18, 2011 12:23 PM
Attach: CDM Project.pdf
Subject: Re: "WCPM Energy Efficiency Project". UNFCCC Ref No: 1025

*The Chairman
CDM Executive Board
UNFCCC*

Sub: *Seeking unambiguous advice on the way forward for verification activity using project specific formula as per the registered PDD.*
Project Title: *"WCPM Energy Efficiency Project". UNFCCC Ref No: 1025.*

Dear Mr. Chairman,

This has reference to the CDM project of our company, The West Coast Paper Mills Ltd (WCPM), India. The CDM project activity under discussion involves improvement of energy efficiency of an existing cogeneration plant by installing new energy efficient recovery boiler that replaces the old inefficient recovery boiler for efficient utilization of black liquor solids generated in the plant as a residue to increase the specific steam generation capacity.

The project was registered applying methodology ACM0006 Version 04, Scenario 14 using project specific formula (in order to be technically correct for the project specific scenario) which was accepted and registered as a CDM project by the CDM Executive Board on 17th June, 2007 under Project No - 1025.

Subsequent to the registration of the project, a DOE was appointed for verification in the beginning of the year 2008 and the DOE started the verification process in the month of March 2008. Since then, we have spent considerable time and resources for the verification process and also have taken due care in carrying out the monitoring of parameters adhering to strict quality norms.

The appended letter provides the detailed presentation of the case seeking confirmation from the Board to proceed ahead with the verification using project specific formula used in the registered PDD.

We request the Board to kindly accept and confirm our request.

Thanking you and looking forward to a positive response at the earliest.

8/18/2011

Yours Truly
For The West Coast Paper Mills Ltd.

(K L Chandak)
Executive Director

8/18/2011



THE WEST COAST PAPER MILLS LTD.,

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The Chairman
CDM Executive Board
UNFCCC

Sub: Seeking unambiguous advice on the way forward for verification activity
Project Title: "WCPM Energy Efficiency Project". UNFCCC Ref No: 1025.

Dear Mr. Chairman,

This has reference to the CDM project of our company, The West Coast Paper Mills Ltd (WCPM). The CDM project activity under discussion involves improvement of energy efficiency of an existing cogeneration plant by installing new energy efficient recovery boiler that replaces the old inefficient recovery boiler for efficient utilization of black liquor solids generated in the plant as a residue to increase the specific steam generation capacity.

The project activity, had applied ACM0006 Version 04, Scenario 14 using project specific formula (in order to be technically correct for the project specific scenario) which was accepted and registered as a CDM project by the CDM Executive Board on 17th June, 2007. The Version 04 of the methodology did not advice to seek deviation as is explicitly mentioned in Version 05 of the methodology which states that "If the equations do not fully fit with the context of the project, a revision or deviation to this methodology should be requested."

The lenders of West Coast Paper Mills (WCPM) (including IFC, Washington, ICICI Bank Ltd. led Syndicate, Barclays Bank PLC.) basing on the registration considered the registered project as part of internal accrual for a loan of USD 165 Million and put a condition to park CER proceeds in an Escrow Account.

Subsequent to the registration of the project, a DOE was appointed for verification in the beginning of the year 2008 and the DOE started the verification process in the month of March 2008. Unfortunately till date the verification activity is still inconclusive. During the process of verification, the DOE sought for a deviation for one of the monitoring parameters (Net Calorific Value or NCV in place of Gross Calorific Value or GCV), mentioned in the registered PDD. The requests for deviation was accepted by the EB vide communication dated 01 December 2008 and the accepted deviation point has been complied with.

Subsequently, in May 2009, the DOE submitted a request for clarification to the UNFCCC (AM_CLA_0155). The request was titled: "Project specific formula used for emission reduction calculation instead of the one given in the approved consolidated methodology ACM0006 ver. 4". On 17th June 2009, the Meth Panel responded (F-CDM-AM-Clar_Resp_ver 01.1 - AM_CLA_0155) as follows:

1. *Equation 17 cannot be used instead of equation 22 to calculate emission reductions due to generation of heat in case of scenario 14;*
2. *Scenario 14 is not applicable to the proposed project activity. In fact, apparently no scenario in ACM0006 is applicable to the project activity referred to in this request.*

The project activity does not use equation 17 as specified by the meth panel. It however uses project specific equation similar to equation 22 of methodology. The equation used in the



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registered PDD is as follows and the comparison demonstrating that the equation used in the registered PDD is more conservative than equation 22 is enclosed as Annexure ~ 1 to this document. It is observed that for the project scenario the CER's/Annum calculated using the project specific equation as in the registered PDD is conservative by about 5000 CER's/Annum.

$$ER_{heat,y} = \frac{Q_y \cdot COEF_i}{\varepsilon_{boiler} \cdot NCV_i}$$

where,

$ER_{heat,y}$	are the baseline emissions due to displacement of heat during the year y in tons of CO ₂
Q_y	is the net quantity of heat generated in the plant during the year y in GJ
ε_{boiler}	Is the energy efficiency of the boiler that is used during the project activity to generate heat next to the cogeneration power plant
NCV_i	is the net calorific value of the fuel type i
$COEF_i$	Is the CO ₂ emission factor of the fossil fuel type i (tCO ₂ /t of fuel)

And the equation 22 of the Version 04 of the methodology is as below:

$$\text{Scenario 14: } ER_{heat,y} = \frac{Q_{project\ plant,y} \cdot EF_{CO_2,BL,heat,i}}{\varepsilon_{boiler}} \cdot \left(1 - \frac{\varepsilon_{m,pre\ project}}{\varepsilon_{m,project\ plant}} \right) \quad (22)$$

where:

$ER_{heat,y}$	= Baseline emissions due to displacement of heat during the year y (tCO ₂ /yr)
$Q_{project\ plant,y}$	= Net quantity of heat generated in the cogeneration project plant from firing biomass residues during the year y (GJ)
ε_{boiler}	= Energy efficiency of the boiler that is used during the project activity to generate heat next to the cogeneration power plant
$\varepsilon_{m,reference\ plant}$	= Average net energy efficiency of heat generation in the reference plant that would use the biomass residues fired in the project plant in the absence of the project activity ($MWh_{heat}/MWh_{biomass}$)
$\varepsilon_{m,pre\ project}$	= Average net efficiency of heat generation in the project plant prior to project implementation ($MWh_{heat}/MWh_{biomass}$)
$\varepsilon_{m,existing\ plant(s)}$	= Average net energy efficiency of heat generation in the existing or captive cogeneration plant(s) ($MWh_{heat}/MWh_{biomass}$)
$\varepsilon_{m,project\ plant}$	= Average net energy efficiency of heat generation in the project cogeneration plant ($MWh_{heat}/MWh_{biomass}$)
$EF_{CO_2,BL,heat,i}$	= CO ₂ emission factor of the fossil fuel type i used for heat generation in the absence the project activity (tCO ₂ /GJ)



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However, the Meth Panel also mentioned that (Page 3, paragraph 1 of F-CDM-AM-Clar_Resp_ver 01.1 – AM_CLA_0155): *"The project activity, however, aims at displacing the generation of heat using fossil fuels, by the improvement of heat generation efficiency."*

According to our understanding this clearly indicates the Meth Panel's recognition that the project activity indeed achieves greenhouse gas emission reduction.

Also, as per paragraph 36 of the addendum to the Report of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol on its first session, held at Montreal from 28 November to 10 December 2005 (FCCC/KP/CMP/2005/8/ Add.1, 30 March 2006), *"Registration is the formal acceptance by the Executive Board of a validated project as a CDM project activity."*

As this was a inconclusive advice from Meth Panel, a mail was sent to UNFCCC in July 2009, in accordance to the rules for public communication with the Secretariat. The mail sought a way forward as the project was registered after thorough validation and subsequent registration (after review by the CDM RIT Team). The communication sent by WCPM to UNFCCC was included in the Agenda of EB49 (8-11 September 2009). Rigorous follow-ups were made since then through emails to the UNFCCC representative. However no response has been received from UNFCCC till date.

Having not received any response from EB for more than one year, WCPM in March 2011 sought a deviation and a deviation note was submitted through the DOE to UNFCCC on the justification of formulae used for emissions reduction calculation. However, the request was stated as "invalid" stating the following reasons

- This deviation request does not follow the procedure for request for deviation prior to submitting request for issuance (EB49/Annex 26) as this is not a deviation from the registered monitoring plan but rather is a issue which is due to the project not being fit to apply this methodology as clarified by the meth panel clarification (AM_CLA_0155).
- Secondly, the deviation applies for a period which covers almost 70% of the crediting period, and appears to also be applicable to future monitoring periods and therefore cannot apply this procedures (VVM/ paragraph 214 of Annex 1, EB55).
- In general, request for deviation should not be used to seek guidance on issues where the project has fundamentally deviated from the methodology and such issues should be either processed by the use of procedures for clarification or revision of the methodology (VVM/ paragraph 213 (a)of Annex 1, EB55).

In WCPM's opinion, the project followed monitoring procedures strictly as mentioned in the PDD and hence request for deviation in monitoring plan need not be sought. We would also like to bring to your kind notice that the equation used in the PDD was conservative and specific to the particular project activity and the same was taken into consideration by the EB while approving and registering the project activity. WCPM reemphasizes the fact that the equation presented in the PDD has undergone the entire process of web hosting, validation by DOE, and review by RIT members and the EB.



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The registration of the project and the subsequent contradicting response by the Meth Panel leaves our project activity stranded. The problems that we are facing is viewed with surprise and shock by the member industries at large. Therefore, we believe it is important for the Chairman's Office to take special note of this project activity and to re-confirm on proceeding ahead with completion of the verification process using the project specific formula as in the registered PDD and oblige.

We look forward to an expedited and positive response from your end

Thanking you.

Yours truly,
For The West Coast Paper Mills Ltd.

K L. Chandak
Executive Director



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Annexure – 1

Comparison to demonstrate that the project specific equation used in the registered PDD is more conservative than Equation 22

Equation 22

Although EB referred to the equation in the registered PDD for this project activity as Equation 22, the equation in the PDD is a project-specific equation that we developed. The two equations have a significant difference as explained below. The equation in the PDD and Equation 22 are presented side-by-side in the table below for easy comparison. While the terms Q_y and ϵ_{boiler} are the same in both the equations, the remaining term(s) are different. The remaining term in Equation 22 represents the CO_2 emission factor for the fuel type used for heat generation in the absence of the project plant reported in units of tCO_2/GJ . The remaining factor in the equation presented in the registered PDD represents the ratio of CO_2 emissions factor, reported in units of tCO_2/t fuel, for the fossil fuel type used divided by the net calorific value (NCV) of the fuel type (GJ/t fuel). Although mathematically they can be shown to be equivalent to each other, they are very different in the way they are used. **In Equation 22, the emission factor that matches the type of fuel used is taken from the IPCC published emission factors that are reported as tCO_2/GJ . In the equation presented in the registered PDD, the emission factor that matches the type of fuel used is taken from the IPCC published emission factors that are reported as tCO_2/t fuel for and then divided by the project-specific NCV of the fuel used. The NCV for the fuel in the project activity is monitored. Historical monitoring data for the project activity show that the ratio ($COEF_i/NCV_i$) (units: tCO_2/GJ) has always been lower than the IPCC published emission factor data for the same fuel type reported as tCO_2/GJ . The lower emission factor obtained using the equation in the registered PDD confirms two things: (i) the equation in the registered PDD is conservative compared to Equation 22 and (ii) the equation in the registered PDD is specific to the project activity. Also the project specific scenario is conservative than Equation 22 as per the methodology.**

Equation 22	Equation in the Registered PDD
$ER_{heat,y} = \frac{Q_{project\ plant,y} \cdot EF_{CO_2,BL,heat,t}}{\epsilon_{boiler}} \cdot \left(1 - \frac{\epsilon_{in,yrs\ project}}{\epsilon_{in,project\ plant}} \right)$	$ER_{heat,y} = \frac{Q_y \cdot COEF_i}{\epsilon_{boiler} \cdot NCV_i}$
$ER_{heat,y}$ = Emission reductions due to displacement of heat	$ER_{heat,y}$ = Baseline emissions due to displacement of heat
$Q_{project\ plant,y}$ = Net quantity of heat generated in the cogeneration project plant from firing biomass residues	Q_y = Net quantity of heat generated in the plant
ϵ_{boiler} = Energy efficiency of the boiler that is used during the project activity to generate heat next to the cogeneration power plant	ϵ_{boiler} = Energy efficiency of the boiler that is used during the project activity to generate



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		heat next to the cogeneration power plant	
$EF_{CO_2,BL,heat,i}$ = CO ₂ emission factor of the fossil fuel type i used for heat generation in the absence of the project activity	tCO ₂ /GJ	$COEF_i = CO_2$ emission factor of the fossil fuel type i	tCO ₂ /t of fuel
$eth,pre\ project$ = Average net efficiency of heat generation in the project plant prior to project implementation	(MWhheat/ MWhbiomass)	NCV _i = Net calorific value of the fuel type i	GJ/t of fuel
$eth,project\ plant$ = Average net energy efficiency of heat generation in the project cogeneration plant	(MWhheat/ MWhbiomass)	$COEF_i / NCV_i$	tCO ₂ /GJ

"The project activity, however, aims at displacing the generation of heat using fossil fuels, by the improvement of heat generation efficiency."

- F-CDM-AM-Clar_Resp_ver 01.1 – AM_CLA_0155