

CDM-PA5673-RULE01

Ruling note

Request for registration for “Waste heat recovery and utilization for power generation at Cherat Cement Company Limited, Nowshera, Pakistan”

Version 01.0



United Nations
Framework Convention on
Climate Change

1. The CDM-Executive Board decided to reject the above proposed project activity on 10 May 2013, in accordance with the “Procedures for review of requests for registration”, version 1.1, 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:
 - (a) The DOE (TÜV SÜD) failed to substantiate additionality of the project activity and to meet the requirements for validation of suitability of input values to the investment analysis, in particular the escalation rates of baseline fuel prices in accordance with validation and verification manual (VVM), version 1.2, paragraph 111 (a) & (b).
 - (b) VVM, version 1.2, paragraph 111 (a) & (b) 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”*.
 - (c) It is not clear how the assumed escalation rates of baseline fuel prices (1.92% for HFO and 0.93% for Diesel) used in the investment analysis were calculated as per the local government policy, in particular (i) the appropriateness of the formula used to calculate the escalation rates of fuel prices; (ii) the appropriateness of using U.S. inflation rates to estimate the future fuel price; and (iii) the correctness of the application of values in the formula.

2. 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).

Document information

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01.0	17 June 2013	Initial publication. Related to EB 55, Annex 40 (Paragraphs 20, 27 & 28)

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