

CDM-PA5521-RULE01

Ruling note

Request for registration for “Waste heat recovery and utilization for power generation at Lucky Cement Limited, Karachi Plant”

Version 01.0



United Nations
Framework Convention on
Climate Change

1. The CDM-Executive Board decided to reject the above proposed project activity on 17 May 2013, in accordance with "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 (TUV SUD) failed to substantiate: (i) the 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 paragraphs 111 (a) and (b); and (ii) the compliance of the project activity with the applicable methodology and the baseline emissions in accordance with AMS III-Q, version 04, footnote 1.
 - (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 (2% for HFO, 1.27% for Diesel and 0.41% for NG) 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 baseline fuel prices; (ii) the appropriateness of using U.S. inflation rates to estimate the future fuel price in Pakistan; and (iii) the correctness of the application of values in the formula.
 - (d) AMS III-Q, version 04, footnote 1 states that "A facility that is existing on the starting date of the project activity (see definition in paragraph 67 of the EB 41 meeting report) and all options for demonstrating the use of waste energy in the absence of a CDM project activity shall be based on historic information and not on a hypothetical scenario".
 - (e) The DOE has validated that Kiln G was commissioned in January 2009, which is after the start date of the project (7 May 2008) and therefore Kiln G cannot be considered as an "existing facility". The DOE has also drawn reference to clarification SSC-352 and SSC-187 and has validated that "existing facility" corresponds to a facility which existed on or before the start date of the project activity and where the commercial operation had begun at the time when the project activity is submitted for validation. However, it is noted that the clarification SSC-187 mainly relate to version 01 of the AMS III-Q and SSC- 352 further clarified that the methodology is applicable only to existing facilities.
 - (f) The historical data has been used to calculate the baseline emission factor for the captive power plant using data vintage available from October 2006 to April 2008 for all the three kilns (E, F and G). However, Kiln G was operational only since January 2009 and hence the total electricity requirements and the energy balance from the historical data are not representative of all the Kilns.

2. Please note 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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