

CDM-PA3836-RULE01

Ruling note

Request for registration for “Construction of Sumgayit combined cycle power 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 27 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) AM0029 version 3 states that "Demonstrate that the proposed CDM project activity is unlikely to be financially attractive by applying Sub-steps 2b (Option III: Apply benchmark analysis), Sub-step 2c (Calculation and comparison of financial indicators), and 2d (Sensitivity Analysis) of the latest version of the "Tool for demonstration assessment and of additionality" agreed by the CDM Executive Board".
 - (b) The "Tool for the demonstration and assessment of additionality", Sub-step 2c states that "Calculate the suitable financial indicator for the proposed CDM project activity and, in the case of Option II above, for the other alternatives. Include all relevant costs (including, for example, the investment cost, the operations and maintenance costs), and revenues (excluding CER revenues, but possibly including inter alia subsidies/fiscal incentives, ODA, etc, where applicable)".
 - (c) The DOE (TÜV Rheinland) failed to demonstrate that the "pre-tax IRR of the differential cash-flow" calculated for the proposed project is line with the methodology AM0029 version 3 and the "Tool for the demonstration and assessment of additionality".
 - (d) The investment analysis used a type of indicator "pre-tax IRR of the differential cash-flow", which was based on the cash-flow difference between the project activity and the baseline scenario. This indicator was compared against a benchmark based on the average interest rate reported by the Central Bank of Azerbaijan for Deposits and Savings in foreign currency (14.95%). The selected type of indicator "pre-tax IRR of the differential cash-flow", is not appropriate for the benchmark selected, as this IRR was not calculated for the proposed project activity and does not include all the relevant costs and revenues as required by the additionality tool.
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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