

CDM-PA6576-RULE01

Ruling note

Request for registration for “Recovery and utilization of associated gas to optimize power generation at PETROAMAZONAS block 15 facilities”

Version 01.0



United Nations
Framework Convention on
Climate Change

1. The CDM-Executive Board decided to reject the request for registration for the above project activity on 31 May 2013, during its 73rd meeting, in accordance with "Procedures for review of requests for registration", version 1.1, EB 55, Annex 40, paragraphs 23, 24 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 (DNV) failed to substantiate the suitability of input values of the crude oil as per paragraph 111 (a) of the Validation and Verification Manual (VVM), version 1.2 and the investment comparison analysis (NPV analysis) as per step 3 (evaluate the economic attractiveness of alternatives) of AM0009 version 5.0.1.
 - (b) Paragraph 111 (a) of the VVM states that "To verify the accuracy of financial calculations carried out for any investment analysis, the DOE shall 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".
 - (c) Step 3 of AM0009 version 5.0.1 states that "The economic attractiveness is assessed for those alternative scenarios that are feasible in technical terms and that are identified as permitted by law or other (industrial) agreements and standards in Step 2. The economic attractiveness is assessed by determining an expected Internal Rate of Return (IRR) of each alternative scenario, following the guidance for the investment analysis in the latest approved version of the 'Tool for the demonstration and assessment of additionality' ". Paragraph 18 of the additionality tool requires that "the alternatives should include the technologies or practices that provide outputs (e.g. dry gas) or services (e.g. electricity, heat) with comparable quality, properties and application areas as the proposed CDM project activity".
 - (d) The suitability of the assumed crude oil price (0 \$/gallon) as indicated in the investment analysis spread sheet was not justified, considering that the project activity is to displace crude oil that would otherwise be used for electricity generation to meet captive demand.
 - (e) The supplementary investment comparison analysis performed for oil production for the State of Ecuador to further support the additionality of the project activity is not in line with step 3 of the methodology and paragraph 18 of the "Tool for the demonstration and assessment of additionality".
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).

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Document information

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