

**CDM-PA9012-RULE01**

## Ruling note

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Request for registration for “Fuel switching from mazout to natural gas in Misr Edfu Pulp, Writing & Printing Paper Co. (MEPPCO)”

Version 01.0



**United Nations**  
Framework Convention on  
Climate Change

1. The CDM Executive Board decided to reject the above proposed project activity on 26 July 2013, during its 74<sup>th</sup> meeting, in accordance with the "Procedures for Review of Requests for Registration", version 01.1, EB 55, Annex 40, paragraphs 23, 24 and 28. In accordance with paragraph 27 of this procedure, the ruling shall contain an explanation of the reasons and rationale for the final decision, which are as follows.
  - (a) The DOE (TÜV NORD) failed to substantiate the additionality of the project activity through barrier analysis in accordance with the validation and verification manual (VVM), version 1.2 paragraph 115(a), "Guidelines for objective demonstration and assessment of barriers", EB 50, Annex 13, paragraphs 5 and 9, and "Non-binding best practice examples to demonstrate additionality for SSC project activities", EB 35, Annex 34, paragraph 1(b).
  - (b) The relevant requirements in full are:
    - (i) VVM, version 1.2, paragraph 115(a) states that *"If barrier analysis has been used to demonstrate the additionality of the proposed CDM project activity, the PDD shall demonstrate that the proposed CDM project activity faces barriers that prevent the implementation of this type of proposed CDM project activity."*
    - (ii) EB 50, Annex 13, paragraph 5, guideline 2 states that *"Demonstrate in an objective way how the CDM alleviates each of the identified barriers to a level that the project is not prevented any more from occurring by any of the barriers. Provide transparent and documented evidence, and offer conservative interpretations of this documented evidence. Anecdotal evidence can be included, but alone is not sufficient proof."*
    - (iii) EB 50, Annex 13, paragraph 9, guideline 6 states that *"In case the PPs make the claim for investment barriers, they should demonstrate in the PDD that the financing of the project was assured only due to the benefit of the CDM. Therefore, it should be demonstrated that the loan approval (or other significant financing decision(s)) by the lender takes explicitly the CDM registration into account."*
    - (iv) EB 35 Annex 34, paragraph 1(b) states that *"Access-to-finance barrier: the project activity could not access appropriate capital without consideration of the CDM revenues. Best practice examples include but are not limited to, the demonstration of limited access to capital in the absence of the CDM, such as a statement from the financing bank that the revenues from the CDM are critical in the approval of the loan."*
  - (c) The project participants (PPs) and DOE did not meet the requirements based on the following rational:
    - (i) The DOE did not demonstrate how the CDM alleviated the barrier, considering that the project participant did start project implementation before obtaining unanimous shareholder approval for a capital injection or receiving concrete financial support for the project.
    - (ii) The PPs and DOE did not provide evidences to support the claim that the financing of the project was assured only due to the benefit of the CDM.

The ERPA (emission reduction purchase agreement) only assured CER financing after project commissioning.

- (iii) The project participant and DOE did not provide any evidence to demonstrate that banks/financial institutions were approached for financing (loan/debt) and that these institutions declined to provide financing. Neither was independent evidence provided to substantiate that the shareholders declined to participate in the capital injection. In addition, the overall poor financial condition of the project participant is not specific to the project activity.

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

| <i>Version</i>   | <i>Date</i>      | <i>Description</i>  |
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