

CDM-PA9327-RULE01

Ruling note

Request for registration for “Using off gas cogeneration project in PT KPP”

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 September 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 (KFQ) failed to substantiate:
 - (i) the suitability of the input values to the investment analysis, in particular the waste gas tariff for the project activity in accordance with EB 60, paragraph 93;
 - (ii) the extent of use of waste energy carrying medium (WECM) in the Greenfield facility in the absence of the CDM project activity in accordance with the methodology ACM0012, version 4, Annex 1, option 2; and
 - (iii) the baseline scenario of heat generation in accordance with validation and verification manual (VVM), version 1.2, paragraph 83.
 - (b) EB 60, paragraph 93 states that "project activities using waste gas for energy generation and using methodology ACM0012 shall, when applying the investment analysis to demonstrate additionality, provide a detailed breakdown of project related cost and shall avoid an internal price for the waste gas coming from the project owner."
 - (c) ACM0012 version 4, Annex 1, option 2 states that "Option 2: Assessment of alternative design of the project facility: The manufacturer of the project facility will be invited to submit an alternative design including the usage of WECM that is recovered under project. The project participants have to demonstrate through investment analysis that the use (or no use) of WECM(s) of such alternative design would have been the baseline scenario for the waste energy generated in the Greenfield facility."
 - (d) VVM, version 1.2, paragraph 83 states that "The DOE shall, based on financial expertise and local and sectoral knowledge, determine whether all scenarios that are considered by the project participants and are supplementary to those required by the methodology, are reasonable in the context of the proposed CDM project activity and that no reasonable alternative scenario has been excluded."
 - (e) The appropriateness of the waste gas tariff of the project activity has not been justified in accordance with EB 60, paragraph 93 as:
 - (i) the relationship between the owners of the project activity and the owners of the project facility has not been explained clearly; and
 - (ii) the waste gas tariff of the project activity is 75% higher than those of similar Chinese project activities which were used for cross-checking.
 - (f) The investment comparison is conducted among the alternative designs of the project activity (electricity generation), not the alternative designs of project facility, which is not in accordance with ACM0012, version 4, Annex 1, option 2.
 - (g) The DOE failed to explain how it has validated that the heat generation under the project activity or in waste gas fired boilers is not financially attractive than the

identified baseline scenario for heat generation (newly built fossil fuel based steam boiler system), in accordance with VVM, version 1.2, paragraph 83.

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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