

**CDM-PA9681-RULE01**

## Ruling note

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Request for registration for “Puelche Project/Cancura Factory Biomass Boiler for Heat Generation”

Version 01.0



**United Nations**  
Framework Convention on  
Climate Change

1. The CDM-Executive Board decided to reject the proposed project activity on 23 July 2018, in accordance with the “*CDM project cycle procedure for project activities*” (PCP PA), version 01.0, paragraphs 110 and 116. Further, in accordance with paragraph 117 of the PCP PA, the ruling shall contain an explanation of the reasons and rationale for the final decision, which are as follows:
  - (a) The DOE (TÜV SÜD South Asia Private Limited) failed to substantiate:
    - (i) The input values to the investment analysis, in accordance with “*CDM validation and verification standard for project activities*” (VVS PA), version 01.0, paragraph 99 (b);
    - (ii) The woodchips being renewable biomass in line with “Definition of Renewable Biomass” (EB 23 Annex 18), paragraphs 1 and 4;
    - (iii) The calculation of the build margin, in accordance with VVS PA, version 01.0, paragraph 63 (c).
  - (b) The relevant requirements are:
    - (i) VVS PA, version 01.0, paragraph 99 (b) states that “To verify the accuracy of financial calculations carried out for any investment analysis, the DOE shall: (b) Cross-check the parameters against third-party or publicly available sources, such as invoices or price indices”;
    - (ii) EB 23 Annex 18, paragraph 1 states that “The biomass is originating from land areas that are forests where: (a) The land area remains a forest; and (b) Sustainable management practices are undertaken on these land areas to ensure, in particular, that the level of carbon stocks on these land areas does not systematically decrease over time (carbon stocks may temporarily decrease due to harvesting); and (c) Any national or regional forestry and nature conservation regulations are complied with.”;
    - (iii) EB 23 Annex 18, paragraph 4 states that “The biomass is a biomass residue and the use of that biomass residue in the project activity does not involve a decrease of carbon pools, ...”;
    - (iv) EB 23 Annex 18, paragraph 4, footnote 2 states that “Biomass residue is defined as biomass by-products, residues and waste streams from agriculture, forestry, and related industries.”;
    - (v) VVS PA, version 01.0, paragraph 63 (c) states that “The DOE shall determine whether the selected methodologies and, where applicable, the selected standardized baselines apply to the proposed CDM project activity and was correctly applied with respect to the following: (c) Algorithms and/or formulae used to determine emission reductions;”.
  - (c) The reasons and rationale for the final decisions are:
    - (i) The DOE failed to substantiate how it crosschecked the values of: (a) total investment cost and maintenance cost for each alternative, as it did not provide information on how it crosschecked the values of total investment cost against third party data, and it had not crosschecked the maintenance

cost against third-party or publicly available sources; (b) electricity consumption for each alternative, as it had not crosschecked the electricity consumption against third-party or publicly available sources; and (c) fuel consumption for each alternative, as it did not provide information on how it crosschecked the values of total coal consumption against third party data, and it had not crosschecked the biomass consumption against third-party or publicly available sources; in accordance with VVS-PA, version 01.0, paragraph 99 (b);

- (ii) The DOE failed to provide information how it confirmed that the woodchips are harvested through sustainable forestry practices as per EB 23 Annex 18, paragraph 1. It also failed to demonstrate how woodchips can be considered as biomass residue as per footnote 2 of EB 23 Annex 18 and do not decrease carbon pools as per EB 23 Annex 18, paragraph 4;
- (iii) The DOE failed to validate the calculation of the build margin for year 2016 in accordance with VVS PA, version 01.0, paragraph 63(c) as the parameter  $EF_{EL,m,2016}$  (CO2 emission factor of power unit m in year y), used to calculate the build margin, refers to data for year 2015.

2. In accordance with paragraph 42 of the CDM Modalities and Procedures Decision 3/CMP.1) and paragraph 124 of the PCP PA, if the project participant wish so, this project activity may be resubmitted for validation and registration provided it meets the requirements for validation and registration.

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### Document information

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01.0	9 August 2018	Initial publication. Related to CDM project cycle procedure for project activities, version 01.0 (CDM-EB93-A06-PROC) (Paragraphs 110, 116 & 117).

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