An explicit methodology requirement is ignored by the regulator, thus forcing the project participant to deviate from the provisions of both methodology and PDD

CDM reform category: 2. Need for procedural improvements and provision of adequate resources

CDM reform sub-category: a. Address the Arbitrary Nature of the Decision Making Process

Key points:

- The UNFCCC requested a review at issuance in multiple cases on various AM0034 projects. Amongst other reasons, the requests for review were due to a misinterpretation of the approved methodology regarding operational hours.
- The review resulted in the PPs being instructed (via corrections before issuance) to apply the methodology such that it runs counter to the methodology and its succeeding versions.
- After the DOE questioned the possible error, an alternative correction was suggested that was again, different to the methodology and registered PDD.
- The methodology author confirmed the intended application of the methodology (as applied and reported by the PPs and DOE and not as suggested in the corrections requested via the review process)

Impact:

- Forcing PPs and DOEs to not follow methodology resulted in up to20% fewer CERs than would have been expected had the methodology been applied as intended
- Ongoing requests for review of all AM0034 projects related to this issue creating backlogs and duplication of efforts resulting in up to 6 month delays

Improvement recommendation:

- Avoid the introduction of new requirements that go against the approved methodology or formally change the methodology for future use

The methodology (AM0034 - Catalytic reduction of N2O inside the ammonia burner of nitric acid plants) explicitly requires that all operating hours of the project activity are counted in the calculation of the emission reductions. This is already clear from AM0034 ver.2 but was further explained and made more explicit in AM0034 revisions, most recently at EB50 in October 2009.

The review eventually resulted in the clause that eventual issuance of the monitoring period would require that the operating hours would be capped on the duration of an average historic campaign length. The methodology is clear that total operation hours should be applied. The methodology already caps N2O values to avoid over estimations but is then clear on total operational hours.