

Carbon Market Watch
117 Rue D'Albanie,
Brussels, Belgium
Tel.: +41 77 485 3667
anja.kollmuss@cdm-watch.org



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Mr. Ivan Sokolov (ivan.sokolov@ua.bureauveritas.com)
CC: Mr. Flavio Gomes (flavio.gomes@uk.bureauveritas.com)
Bureau Veritas Certification Holding SAS
67/71 Boulevard du Chateau
92200, Neuilly-sur-Seine
France

Re: JI project "Waste coal processing in Luhansk region of Ukraine with the Aim of Reducing Greenhouse Gases Emissions into the Atmosphere (under track 2)"

Dear Mr. Sokolov,

We would like to express a number of concerns related to the proposed Joint Implementation project "Waste coal processing in Luhansk region of Ukraine with the Aim of Reducing Greenhouse Gases Emissions into the Atmosphere (under track 2)". The PDD of this project has been made publicly available for comments through the UNFCCC secretariat.

ADDITIONALITY

The additionality of the project appears to be questionable. According to the PDD, the project was initiated in early 2006, the construction started in 2007 (Section A.2.), and the starting date of the project is March 14, 2008. It is also stated in Sections A.2. and A.4.2. that "*JI was one of the drivers for the project from the start and financial benefits provided by the JI mechanism were considered as one of the reasons to start the project and are crucial in the decision to start the operations*". This statement does not seem credible given that the LoE was issued on October 11, 2012, over 4 years after the start of the project. If the JI was a decisive factor for the feasibility of the project, the project owner would have had to apply for JI much earlier than 2012. Section B.2 of the PDD says that "*The project was first developed after discussions in 2006 between the project developer and JI experts*", such a statement does not provide sufficient evidence that would explain how a project could have been operational for over 4 years without JI support and still seriously be considered additional.

The main arguments that the project would not take place in a business-as-usual scenario are limited to the overall unfavourable investment climate in Ukraine, without going into project-specific details or numbers. The project participants fail to demonstrate how the listed barriers are alleviated with the aid of JI.

The demonstration of additionality of the project is based on a JI-specific approach that has been taken in a similar JI project "Dismantling of Waste Heap at Former Enrichment Plant "Serdytyanska"" (ITL project ID: UA1000378). The Guidance on criteria for baseline setting and monitoring¹ allows for the use of an approach for additionality demonstration that "has already been taken in cases for which determination is deemed final and which can be regarded as comparable" (paragraph 44 (b) of Annex 1). However, the project UA1000378 which is referred to in the PDD is registered under Track 1 procedure. Hence, it has not been subject to the verification procedure under the Joint Implementation Supervisory Committee, to which the Guidance applies, and its determination cannot be deemed final in the sense of JI Track 2 process. Thus, the provisions of paragraph 44 (b) of Annex 1 to the Guidance are not applicable in this case.

It is also notable that the project participants incorrectly quote paragraph 44 (b) of Annex 1 to the Guidance on criteria for baseline setting and monitoring Version 03 in Section B.2. of the PDD (bottom of page 24 – top of page 25), where they refer to comparable cases positively determined by an AIE instead of those for which determination is deemed final.

¹ http://ji.unfccc.int/Ref/Documents/Baseline_setting_and_monitoring.pdf

CALCULATION OF EMISSION REDUCTIONS

The number of expected emission reductions appears to be exaggerated.

The estimated amount of emission reductions lacks supporting information and underlying coal production data are not presented. We believe that in order to achieve such reductions the project would have to extract substantial amount of high-quality coal from waste heaps to substitute coal from mines.

Therefore, the expected emission reductions presented in the PDD need to be carefully examined. In addition to the regular check of the installed capacity of equipment used by Slavutich MChTPP to extract coal from waste heaps and its ownership / rights to use, the actual coal output from the waste heaps included in the project can be also verified considering that the project has been operational since 2008. Specifically, historical and current coal sales contracts, relevant protocols of coal delivery and acceptance, invoices and the proof of payment (e.g. bank statements) should be made available and verified.

Also the baseline calculations need to be further scrutinized. The calculation of baseline emissions rests on the assumption that *“waste-heaps of the region are vulnerable to spontaneous self-heating and burning and at some point in time will burn”* (Section B.1.). However, the reference to ‘some point in time’ does not allow the project participants to attribute the emissions from waste heaps burning to a particular crediting year. This suggests that there is high uncertainty in terms of when such emissions would occur and that in order to conservatively calculate baselines much more specific data would have to be presented.

The calculation of baseline emissions due to burning of the waste heaps involves the correction factor P_{WHB} in Equation 2, that is called to *“address the uncertainty of the waste heap burning process”*, the value of which is 0.78 for Luhansk region. The way that this factor is used implies that 78% of coal volume contained in all waste heaps of Luhansk region would burn during the crediting period in the baseline scenario. At the same time, the factor *“is defined on the basis of the survey of all the waste heaps in the area that provides a ratio of waste heaps that are or have been burning at any point in time to all existing waste heaps”*. Thus this factor shows only the probability of the fact of ignition of a waste heap at some point in time, but it does not mean that all coal contained in the waste heap where the ignition is observed would indeed burn completely during the crediting period.

It is also evident that the oxidation efficiency during the burning process in waste heaps is lower than that of combustion for energy generation purposes. Thus the carbon oxidation factor of coal ($OXID_{coal}$) value of 0.963 adopted from the National GHG Inventory Report is not applicable for the calculation of baseline emissions due to burning of the waste heaps in Equation 2.

PROJECT BOUNDARIES

The definition of the physical project boundaries are not precise and specific enough. Section B.3 says that *“The project activities are physically limited to the waste heaps in the legal use of SLAVUTICH MChTPP”*. However, it is not specified which waste heaps are in the legal use of Slavutich MChTPP. Moreover, Section A.4.1. states that *“During the monitoring period other waste heaps can be acquired and new beneficiation complexes can be put into operation. Data on new objects will be included in the appropriate monitoring reports”*. This leaves the project boundaries insufficiently defined and would enable the addition of new facilities. While this would be acceptable under a Programme of Activities, the number of facilities in a conventional JI project must be clearly defined at the onset of the project.

Given the serious concerns we have highlighted in this letter, we hope that you will scrutinize this project sufficiently before making any final decisions or recommendations.

Sincerely yours,



Anja Kollmuss, Senior Policy Analyst, Carbon Market Watch