

To:

Climate Action Reserve

Hamburg

10. November 2009

☎ +49 (0) 40 3099786-14

Fax: +49 (0) 40 788 937 10

Martin Stilkenbäumer

stilkenbaeumer@nserve.net

Comments on the Climate Action Reserve's

Nitric Acid Production Project Protocol

Reducing Nitrous Oxide from Process Gas Emissions

DRAFT FOR PUBLIC COMMENT

Version 1.0

October 14, 2009

N.serve Environmental Services GmbH ("N.serve") would like to thank the Climate Action Reserve ("CAR") for the opportunity to provide comments to the draft version of the Nitric Acid Production Project Protocol ("Protocol"). As a project developer with worldwide experience in the implementation of N₂O reduction projects in Nitric Acid Plants ("NAPs"), we would like to provide some comments in order to help further improving the quality and practicability of this protocol.

Comment to section: 2.2 Requirement to use a getter gauze or catchment system

During discussions with several NAP operators and with technology providers it became clear that several NAPs are currently not using getter or catchment gauzes. This practice is due to technological barriers (pressure drop, impact on HNO₃ production levels) and also due to financial aspects. Those plants are using different ways for recovery of platinum losses (filters, plant clean down). In the current version of the protocol these plants would not be eligible. The protocol should show more flexibility in this aspect in order to allow these plants to participate in this project type.

The possible effect on off gas N₂O concentration caused by platinum deposits in the plant could be covered by establishing a minimum project emission factor after 10 campaigns as in the CDM methodology AM0034.

Comment to section: 3.4.1 The Legal Requirement Test

In the current version of the protocol the legal requirement test would exclude an NAP completely from applying the protocol, no matter how high or low the legal requirement would be.

In order to broaden the methodology's applicability, we suggest allowing the NAP to participate in reduction activities under the protocol and use the legal requirement as the new baseline emissions factor in case it is lower than the established baseline emissions factor (comparable to EF_{reg} in CDM Methodology AM0034). In practice, only emission reductions that are exceeding the regulatory requirement would qualify for the issuance of CRTs. This would incentivise the NAP operator to optimize the N_2O abatement system so that GHG emission reductions are maximized and do not stop at the threshold required by regulation.

Comment to section: 5.1 and 5.2.1 Cap of HNO_3 capacity based on average of historic campaigns

In practice the calculation of emission reductions would be capped by the average HNO_3 production during the historic campaigns. This does not take into account normal fluctuations in nitric acid production due to seasonal influences (ambient temperature fluctuations influence the output capacity of the plant). It also does not take into account the influences of low demand situations for the product or plant shutdowns due to force majeure during the historical campaigns.

Instead of the average output the cap should be based either on the maximum output or on the maximum demonstrated rate or on the permitted production rate of the NAP (as specified in the plant manual).

Beyond this suggestion, it could also be reconsidered whether or not to cap the allowable output for which CRTs are awardable at all. Based on present price levels for nitric acid raw materials (gas, ammonium, energy) on the one hand and carbon prices on the other, it would be nonsensical to maximize nitric acid production just in order to increase achievable emission reductions. Carbon related revenues are, at current prices, about a fifth of the production costs.

Comment to section: 5.1 and 5.2.1 Exclusion of upgraded capacity less than 24 months before the project start

This excludes capacity upgrades that were already in progress well before the development of the protocol or the possible benefits of generating ERs were expected.

Discussions with several NAP operators shows that the possible incentive of ER credits is extremely unlikely to influence the decision making process of upgrading the existing capacity or building new capacity. These decisions are strictly based on the product demand and market situation and the small benefits from ER credits would not trigger such a big investment. Therefore the protocol should allow upgraded and new capacity plants also younger than 24 months.

The above argument on the price relations between nitric acid production and realistically obtainable carbon revenues further supports this statement.

Comment to section: 5.1.2.1 Application of historic parameters during project campaigns for secondary catalyst projects

Due to the fact that the baseline is established as a historic baseline campaign before the first project campaign, operating the plant outside the established historic operating limits during project campaigns does not influence the baseline emission factor. Therefore there should be no need to monitor the operational parameters during *project* campaigns, because there is no incentive for the plant operator to manipulate the operating parameters in one way or the other: N₂O emission increases lower carbon revenues and decreases are aimed at anyway in order to maximize them.

On the other hand, there could be technological problems (e.g. slightly decreasing performance of the compressor unit or minimal increases of pressure drop due to the installed abatement system) that cause the plant to operate outside the historic limits. Also, there is no need to exclude emission reductions achieved at times when parts of the plant equipment were not fully functional. It is common practice to continue running an NAP for some time in spite of such deficiencies in order to repair during a major shutdown or maintenance stop. Therefore all operating conditions should be permissible for project campaigns in secondary catalyst projects.

For further questions about our comments, please contact:

Martin Stilkenbäumer
Project Manager
Monitoring Expert

email stilkenbaeumer@nserve.net