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Att: CDM Executive Board

Your ref.:
 CDM Ref 0317

Our ref.:
 MLEH/ETEL

Date:
 24 April 2006

Response to request for review Request for registration of the “EIDorado Energy Efficiency Project” (0317)

Dear Members of the CDM Executive Board,

We refer to the requests for review raised by four Board members concerning DNV’s request for registration of the “EIDorado Energy Efficiency Project” (0317). DNV would like to herewith provide an initial response to the issue raised by the requests for review.

The requests for review point out that the additionality of the project has not been adequately assessed and is not convincing.

The project’s additionality is demonstrated in accordance with the barrier test described in Attachment A to Appendix B of the simplified modalities and procedures for small-scale CDM project activities.

According to Attachment A to Appendix B, project participants shall provide an explanation to show that the project activity would not have occurred anyway due to at least one barrier. As stated in DNV’s validation report, the following barriers have been identified:

The following barriers have been identified:

(a) Investment barriers: The decrease in international prices for sugar, increasing production costs and declining sales volume due to stiff competition from imports of sugar from the US have severely affected cash flows of Mexican sugar mills. As a consequent, sugar mills, and the sugar mill of Ingenio EIDorado, S.A. de C.V. in particular, face barriers in raising the necessary investment for carrying out energy efficiency improvements.

(b) Prevailing practice: The prevailing practise in the Mexican sugar mills to use heavy fuel oil in addition to bagasse for energy generation.

(c) Institutional Barrier: Since the sugar industry in Mexico is essential to the economic growth of Mexico, Government takeover presents a big risk in the sugar industries. This was witnessed in 1978-88 and represents a significant barrier for significant modernisations and investments by private sugar mill owners in the improvement of the efficiency of energy generation at sugar mills.

The existence of these barriers was confirmed by DNV by among other assessing the common practise in the Mexican sugar mill industry. Hence, the project meets several barriers listed in Attachment A to Appendix B, and DNV can not see that the validation of the “EIDorado Energy Efficiency Project” should in addition have assessed other aspects, such a a financial analysis of

the project considering the capital costs of the energy efficiency measures and the savings in fuel costs.

Finally, it must be noted that it is generally recognised that many energy efficiency projects, although financially attractive, are not implemented because they face barriers for implementation.

We hope that the Board accepts the above explanations and we look forward to a constructive dialogue on how the barrier analysis given in Attachment A to Appendix B of the simplified modalities and procedures shall be applied on small-scale CDM project activities.

Yours faithfully
for DNV CERTIFICATION



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