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**7 October 2008**

**Subject: Response to Request for Review – Irani Biomass Electricity Generation Project (0404)**

Dear Members of the CDM Executive Board,

Please find below our responses to the issues raised in the requests for review for this project. The reasons for the requests are shown in shaded boxes, followed by our response.

**QUESTION**

*The DOE should clarify how it verified that the quantity of biomass bought from the third party suppliers would have been land filled anaerobically in the absence of the project.*

**PP answer**

According to the Methodology, PDD and validation report, the baseline is defined *ex-ante*. During the validation it was clearly demonstrated that the own biomass residues and third parties residues would be landfilled. A couple of residue providers were visited, and the landfilling process was documented. No procedure was defined to demonstrate how the own or third parties biomass would be disposed in the absence of project (in compliance with the version of the methodology used). This fact is clearly registered in all the documentation of this project.

**Applicability of latest methodology:**

The project is registered using AMS.III.E, version 7. Based on our understanding of the rules of CDM, only the requirements in the version of the methodology the project is registered under are applicable:

*...any revision to an approved methodology or tool referred to in a methodology shall only be applicable to project activities registered after the revision and shall not affect (i) registered CDM project activities during their crediting period...*

*Modalities and Procedures Paragraph 39*

New procedures and updates of this meth should not be applicable to projects registered prior to the revision or update.

**Requirements of the methodology used for this registered project**

The version of the methodology used in this registered project (IIID) clearly states:

*"The baseline scenario is the situation where, in the absence of the project activity, biomass and other organic matter is left to decay within the project boundary and methane is emitted to the atmosphere."*

And;

*The amount of biomass and / or other organic matter combusted ( $Q_{biomass}$ ) by the project activity in a year shall be monitored. Emissions of CH<sub>4</sub> and N<sub>2</sub>O will be determined using the most recent IPCC default values.*

And;

*Total annual project activity related emissions will be monitored and should be less than or equal to 15 kt of CO<sub>2</sub> equivalent. If at the renewal of the crediting period the project emissions are higher than the 15 Kt of CO<sub>2</sub> equivalent the project ceases to be a small-scale CDM project activity and has to use an approved methodology.*

Thus, there is no requirement to monitor, or demonstrate along the crediting period if the baseline is still valid, in the version of the methodology applied, since the concept of this methodology is that the baseline is defined *ex-ante*. The most updated version of AMS.III.E requires an annual monitoring of baseline of each type of biomass, to ensure that it would be landfilled. Given it is clearly stated in the latest version of the methodology, new projects are aware of this need before the crediting period, and can get prepared to monitor it. In the case of the Irani Biomass project case, there has been no requirement to do so.

**Details of the registered PDD:**

In section D.3 of the PDD there is a clear description of variables monitored. The destination of biomass in the absence of project is not cited as the PDD was registered under version 7 of the methodology.

Moreover, section D.4 says:

*“The plan does not include monitoring of any variable regarding leakage since no leakage is expected. Nevertheless, in the case of evidence of any leakage, this plan will be revised in order to include a suitable variable.”*

As demonstrated, the PDD clearly applies the methodology requirements and goes even further when it assumes the duty to differentiate the project’s own biomass residue from third party residues. At no point does the PDD says that the project will monitor the market or any other variable to check what would be the baseline for the residues in the absence of project activity.

The Validation Report confirms that the PDD applied the methodology correctly and that the only variable measured to demonstrate the emission reduction of methane would be the amount of biomass consumed. Appendix A shows extracts from the validation checklist to confirm this.

Again, the Validation Checklist, attachment of Validation Report transparently says all the steps and procedures to define the baseline according to the methodology requirements, and ask for some improvements in the PDD that go beyond the Methodology requests.

The verification report correctly states that all the indicators [parameters] stated in the applicable methodology and PDD are monitored and reported.

**The extract below is from the DNV verification report:****3.3 Completeness of Monitoring**

All indicators stated in the validated monitoring plan based on the monitoring methodology AMS-I.D and AMD-III.E are monitored and reported.

The parameter of net electricity produced by new cogeneration plant as stated in the monitoring plan is monitored through and proper calibrated electricity meters and reported.

The biomass fired at cogeneration plant is from the internal operations of wood trunks, bark and fiber and external sources of wood mills, which would be disposed to decay on landfill in absence of project.

Data Variable	Comments
Net electricity produced by new cogeneration plant	Monitored by calibrated meters (gross, internal and shredder consumption) and accounting monthly through the Microsiga system.
Amount of biomass obtained from third parties	Registered through sale receipts and crosschecked on Irani calibrated scale at entrance of trucks and accounted at Microsiga system.
Amount of biomass generated by Irani	The biomass transferred from the wood operations (wood waste from the "feeding table", the "sieve reject", wood residue from "mechanical/chemical pulp" preparing and the "fiber recovery) is weigh on Irani calibrated scale. The bark removed from the trunks is calculated considering statistical study which established 10,97% and the trunks received from the forest and accounted through sale receipts and crosschecked on Irani calibrated scale at entrance of trucks. All biomass is accounted at Microsiga system.
Identification of third party suppliers of biomass actually used	The suppliers and the kind of biomass are identified through the sale receipts.

Thus, it appears that what is required by this Request for Review is not applicable to the project during the current crediting period. When the project renews the crediting period the baseline will be assessed, and the most updated methodology will be used. Until then, the Project Participants must only follow the requirements in the methodology version used and the procedures stated in the registered PDD. This has been done and verified for this monitoring period.

We trust that the comments above address the issues that have been raised. However, if there is any further information required, or revisions that should be made to the project documentation, we will be very happy to provide these. Yours sincerely



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