

Response to request for review

UNFCCC Secretariat
Martin-Luther-King-Strasse 8
D-53153 Bonn
Germany

Att: CDM Executive Board

Your ref.:
CDM Ref 0785

Our ref.:
MLEH/ETEL

Date:
21 February 2007

“Al-Shaheen Oil Field Gas Recovery and Utilization Project” (0763)

Dear Members of the CDM Executive Board,

We refer to the requests for review raised by three Board members concerning DNV’s request for registration of the “Al-Shaheen Oil Field Gas Recovery and Utilization Project” (0763), and would like to provide the following response to the issues raised by the requests for review.

Comment 1-1:

1. The DOE has not been completely transparent in the way it handled and reported in the validation report the differences in the PDD published for public comments (Version 1 of 25 August 2006) and the PDD submitted/uploaded for registration (Version 2 of 9 October 2006).

• Significant differences in the estimated emission reductions in both versions of the PDD. Over the 7 years crediting period, estimated emission reductions were 10,204,674 tonnes of CO₂e in Version 1 and 17,497,540 tonnes of CO₂e in Version 2.

DNV Response:

The differences in the above mentioned estimates are caused partly by errors and inconsistencies in the original spreadsheet that supported the estimated baseline calculations of the project, and partly caused by more updated production data being provided for the revised PDD, version 2. The referred errors and inconsistencies are clearly described in CAR3, CAR 4 and CL 5 in table 3 of the validation report. It should be emphasised that the numbers commented are estimates only, and as such the real emission reductions will be monitored in detail according to i.e. the corrected spreadsheets as well as the applied methodology. We would like to refer to the following paragraph from the methodology in this regard:

“As projections of the oil production, the methane content of the gas and other parameters involve a considerable degree of uncertainty, the quantity and composition of the recovered gas are monitored *ex post* and baseline and project emissions are adjusted respectively during monitoring.”

Comment 1-2:

• Differences in project participants and their listed representatives
- In Version 1 both Maersk Oil Qatar and Qatar Petroleum are both listed as project participants, but in the revised PDD (Version 2) Qatar Petroleum is listed as the only project participant.
- In Page 4, Section A.3 (Project Participants) – Version 1 states "The Project Developer is Maersk Oil Qatar and Qatar Petroleum is a main partner" while Version 2 states "The Project Developer for the Al-Shaheen Project is Qatar Petroleum and Maersk Oil Qatar is a main partner".
- Page 16, Paragraph 2 of Version 1 shows the level of involvement and investment by both

Maersk Oil and Qatar Petroleum. However, last paragraph on Page 20 of Version 2 describes the same level of investment to only Qatar Petroleum without any reference to Maersk Oil.

DNV Response:

Maersk Oil is the operator of the Al-Shaheen field, and takes as such care of the gas recovery part of the project. However, this as well as all other project sub-activities is performed under the authority of Qatar Petroleum (QP). This is a common organisational set-up in the oil and gas sector. Although the recovery and pipeline investment initially was made by Maersk Oil, the actual coverage of this was done by QP. The remaining activities, such as gas processing and hydrocarbon manufacturing and distribution are all performed by QP. We refer to the QP's response to the request for review for a more elaborated discussion on this matter.

It must be noted that none of the above quoted paragraphs from the PDD version 2 refer to Maersk Oil as a "project participant". This is deliberately done as it was ultimately decided between the commercial parties of the project that Maersk Oil should not be referred to as a project participant as defined under the CDM.

Comment 1-3:

In view of the statement by DNV in the second paragraph of Section 2.3 (Page 5) of the Validation Report, it is difficult to understand what concerns were raised by DNV that led Qatar Petroleum and EcoSecurities to decide to revise the list of project participants. Also, it is difficult to see how DNV can consider the above inconsistencies between Page 16 of Version 1 and Page 20 of Version 2 justifiable explanations to any concerns it might have raised during validation.

DNV Response:

None of DNV's requests for clarification or corrective action request led QP or EcoSecurities to revise the list of project participants. This is a commercial matter that is entirely up to the parties in the project to decide, and as such a DOE has no authority to request changes/inclusion/exclusion of project participants. The reference to our statement in section 2.3 of the validation report is referring to a general and not a specific remark on the validation process.

Comment 1-4:

Furthermore, in view of the above changes introduced in Version 2 of the PDD, the Doe should have provided some justification why it did not consider it necessary that the revised PDD should have been re-published for public comments.

DNV Response:

None of the changes discussed above require any republication of the PDD. The methodology has not been changed, the project design is the same and the only main changes are related to the revised project participants and a more accurate and correct calculation of baseline data. This is described in the validation report.

There have been numerous cases where CDM projects have requested registration without republishing PDDs for the same reasons as stated above. There is also no CDM EB guidance that calls for republication of PDDs in such cases. As such, DNV has not seen it necessary to republish the PDD for a new stakeholder comment period.

Comment 2:

Participation requirements may not appear to have been completely met if Maersk Oil is a bona fide Project Participant.

- *The significant role and responsibilities of Maersk Oil in ensuring a successful execution and implementation of the project activity remain the same in both versions of the PDD and yet no*

evidence is provided to show voluntary withdrawal of Maersk Oil as a project participant. Both versions of the PDD indicated under the purpose of the project activity (A.2, Page 2) that Maersk Oil is responsible for operating the project and list Maersk Oil as the "Project Developer"

- There are several emphases in the PDD on technology transfer. First paragraph under Section A.4.3 of both versions of the PDD, for example, emphasize strong partnership between Qatar Petroleum and Maersk Oil, as well as the use of Maersk Oil 's state of the art technology. If Maersk Oil is a bona fide project participant, as listed in Version 1 of the PDD published for public comment, then a letter of authorization, in respect of Maersk Oil, is required from the DNA of the Party involved. The DOE does not appear to have been completely transparent in its assessment of this participation requirement.*

Furthermore, DNV was not completely transparent in its reflection of CARI (Table 3, Page A.20 of the Validation Report). If CARI correctly reflects that DNA approval status is missing in respect of both project participants (Maersk Oil & Qatar Petroleum) listed in Version1 of the PDD being validated at the time, the DNA LoA only in respect of Qatar Petroleum should not be accepted as adequate resolution of CARI.

DNV Response:

We partly wish to refer to our response above on the same matter. In addition, we would like to point to the fact that QP has provided a letter confirming that Maersk Oil is not taking part in this project as a project participant as defined under the CDM. Please see letter attached as annex 1. The consequence of this is also that the Letter of Approval only identifies QP as a project participant.

We sincerely hope that the Board accepts our above explanations and we look forward to the registration of this project.

Yours faithfully
for DET NORSKE VERITAS CERTIFICATION LTD



Einar Telnes
Director
International Climate Change Services



Michael Lehmann
Technical Director

Attachment: Letter from Qatar Petroleum to DNV