

Request for review for: “Cerveceria Hondureña Methane Capture Project” (0896)

Requests 1 and 2

While the IRR calculated for the project activity is not financially attractive, the analysis does not demonstrate that it is less financially attractive than the only legally possible alternative (expansion of the open lagoon). To be considered additional, it should be demonstrated that the project activity is not the most favourable method of compliance with local wastewater treatment regulations.

It is common sense that a methane capture system with biodigester is much more expensive than the expansion of open lagoons. Cerveceria Hondureña intended to install a methane capture system, because of its higher benefits to the environment, and has not estimated the costs for the expansion of the open lagoon. To substantiate what is common sense for experts in the sector, the PPs asked a Brazilian company for the cost estimation of the expansion of an open lagoon that would comply with Honduran Legislation. The cost of such a system is about US\$ 100,000, with an NPV of approx. (– US\$ 154,000), whereas the cost of the methane capture system is about US\$ 1.4 mio, with an NPV of approx. (– US\$ 840,000).

Request 3

1. The explanation in A.4.3. of the PDD (page 7) is not appropriate: It does not give explanation “why the emission reductions would not occur in the absence of the proposed small-scale activity taking into account national and/or sectoral policies and circumstances.”

Honduran Legislation requires COD values to be at a maximum concentration of 200 mg/l at the output of the wastewater treatment system. The legislation does not refer to limitation of methane emissions. The mentioned COD value could be achieved with the expansion of the open lagoon. Cerveceria Hondureña is using a methane capture system with a biodigester, and the COD at the final output is presently at about 30 mg/l, much lower than the required by the legislation. To comply with the legislation, it would be enough to expand the open lagoon, with no methane capture system and no use of the produced thermal energy in a boiler, as it is done by the Project. Therefore, the emissions reductions of the Project would not occur.

2. No data on the existing lagoon has been given. The default value for Methane Correction Factor (MCF) may differ depends upon the depth of the anaerobic lagoon according to the table III.1 of AMS-III.H. In section B.3. of the PDD, the PP/DOE should provide the detailed specification of the existing lagoons

The lagoon has a depth of four meters and average temperature of 33-34 °C. In summer, it can go up to 36°C.

3. Investment analysis: The PDD does not give convincing explanation with the result of the investment analysis. It simply states that “...The financial viability of the project is limited by the fact that its net contribution from operation is not enough to cover the initial investment done by Cerveceria Hondurena.”

As stated in the answer for requests 1 and 2, the expansion of an open lagoon would comply with Honduran Legislation. The cost of such a system is about US\$ 100,000, with an NPV of approx. (- US\$ 154,000), whereas the cost of the methane capture system (the Project activity) is about US\$ 1.4 mio, with an NPV of approx. (- US\$ 840,000).

4. Retroactive crediting highly questionable: The PDD states (Section B.3. page 10) that “This project requires retroactive crediting. (The reason why has not been given) Evidence that it was thought to receive those credits is a report prepared by Cerveceria Hondureña’s management in March 2000, considering the implementation of a Waste Water Treatment Project. It mentions protection of the ozone layer and carbon credits as a possible benefit. “It is highly questionable if the company really thought about the ozone layer at that time. If so, the reason given for that should be submitted/demonstrated in documentation by the DOE.

The Montreal Protocol on substances that deplete the Ozone Layer is an international treaty that entered into force on January 1, 1989. Since then, it has undergone five revisions, the last of them in 1999 (Beijing). Thus, the PPs do not see why it would be questionable to think about the ozone layer in 2000, when the subject was more up-to-date than it is today. Conscious of the depletion of the ozone layer caused by CFC refrigerants, Cerveceria Hondureña underwent, simultaneously to the methane capture project, a complete replacement of those coolers in the Honduran market.

5. The PDD (page 10,) states that “...This corresponds to the fact that, besides CDM, there are almost no incentives for companies to invest in the more expensive, more complicated bio-digester system...” If this is the case, without being approved as a CDM project/ without the CERs revenue, the project is totally not feasible. What was the management plan for the worst case which might be the rejection of the CDM registration?

The above mentioned report prepared by Cerveceria Honduran’s management in 2000 should have the counter measurement plan in it, Furthermore the project was started in the year 2000 when they did not have any confidence whether they would be successful in CDM registration. The DOE shall be requested to introduce what kind of measures was planned in the said report (the expansion of the existing lagoon?) and shall be requested to demonstrate why the DOE verified it appropriate.

Cerveceria Hondureña intended to develop a high level ecological project and always believed that it would be eligible to receive carbon credits, because of its higher benefits to the environment, than what is required by Honduran legislation. Cerveceria Hondureña took a risk in developing this Project, at a time when CDM was very uncertain, believing that it would be an example for the country and for whole Central America: the methane capture system was one of the first of its kind in the region. In case of rejection of the CDM registration, the Project might be rethought, because of its high O&M costs.

Cerveceria Hondureña was and is very proud of the high technical quality of the Project. In 2000, their main concern was to achieve high standards in the treatment of environment. Cerveceria Hondureña is a leading company in Honduras in issues related to the environment. For more than 20 years, it has sponsored programs aimed at the protection of the environment. Some of major projects currently in operation are the following:

- Tropical Nursery – A project aimed at the reforestation of Honduras and the exposure of the environment to young students.



- Coolers Replacement Program (as stated above)
- Aluminum Cans and PET Collection and Recycling Project – A project aimed at collecting all of the empty beer and soft drinks cans and PET bottles from the market.
- Forest for the Future – The planting of 20 acres of mahogany and teak trees with students from a local school. The project aims to promote the plantation of commercial forests among young people.
- Annual Reward to the Environment - A biannual prize sponsored by Cerveceria Hondureña and awarded by the President of Honduras to the company and the individual who, during the past two years, have contributed the most for the preservation of the environment. The event has nationwide coverage and is an important celebration in the sociopolitical community.

The CERs revenues would be a clear evidence of how a company can benefit beyond simple compliance of the law and would represent an international recognition of Cerveceria Hondureña's efforts and a model for other companies in Honduras and Central America. The funds that would be obtained would help Cerveceria Hondureña to carry out additional environmental projects in the future, such as a program for the protection of endangered species of both plants and animals.