



April 27, 2007

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

Attn: CDM Executive Board

Re: Request for Review of CDM Project 0918 “Energas Varadero Conversion from Open Cycle to Combined Cycle Project”

Dear Members of the CDM Executive Board,

With reference to the requests for review raised by three Board members concerning the registration request for the “Energas Varadero Conversion from Open Cycle to Combined Cycle Project” (your reference 0918) we offer the following comments to the issues raised.

Issue 1:

“The barriers which the PP referred are not of the kind which could be verified as barriers specific to the Project, but are common ones which any investor in Cuba might face. It is dubious that there exist barriers for the project.

Also, the PP is not giving any explanation on how “The additional revenue stream provided by CER’s, if this project is registered as a CDM activity, would mitigate these barriers” The PP shall be requested to explain/demonstrate why and how those barriers are to be alleviated by the CERs (or by the registration of the Project as CDM). ”

Sherritt Response:

Our interpretation of the “Tool for the demonstration and assessment of additionality” (version 2) is that project participants should identify barriers that would prevent the implementation of the “type of proposed project activity”. The potential for the same or similar barriers to affect other projects does not seem to be relevant. The existence of the barriers and their relevance to the Project are evidenced by the fact that they have been experienced during the development and implementation of the Project.

It is our view that even barriers of a general nature may be favourably impacted by the successful registration of a CDM project and the subsequent issuance of CERs. For example, the barriers identified relate mainly to the specific risks associated with the Project that could significantly impact the Project return. The revenue stream provided by CER’s would not be subject to all of the same risks as the Project itself and would provide an additional source of revenue. While this would not directly alleviate the barriers identified, the increased cash flow would offset the negative impact of the investment barriers on the project. Without the cash flow from the CER’s, the risks associated with the Project may be too high to justify proceeding.

Sherritt International Corporation

1133 Yonge Street

Toronto, Ontario Canada M4T 2Y7

Telephone (416) 924-4551

Fax (416) 924-5015

Issue 2:

In page 37 of the PDD, there is a statement that "...Due to the operation of the Combined Cycle plant since March 2003, a full complement of procedures for operating the plant in a safe, sound and efficient manner had to be provided." Also in page 42, as Starting date of the project activity, March 1, 2003 is given. If the Combined Cycle plant had been completed in 2003 and was in operation, the barrier argument developed in section B.5 does not make sense.

Sherritt Comment:

The text referenced from Page 37 of the PDD points to the fact that the start of operations in 2003 has enabled the project proponent to ensure that a full complement of operating procedures are in-place in advance of the commencement of the crediting period. This should ensure that the project monitoring will proceed properly and that the expected reductions can be achieved. The starting date of operations on Page 42 affirms this.

To further clarify the project, this project document was initially prepared as a prompt start project. The initial PDD was prepared in 2005 and validation was begun in that year with the intent to qualify for retroactive credits. Unfortunately the project proponents were unable to complete the PDD to the point where it was ready for the public comment phase of validation on time to qualify for the Prompt Start program as clarified in EB27. Consequently retroactive credits could no longer be allocated and the PDD was revised accordingly to start the crediting period after registration. The barriers as outlined in the PDD and discussed further in Issue 1 were real and were in-place at the time when a decision to proceed with the project was made and at the time of project completion.

Issue 3:

The ACM0007 requests the project participants to demonstrate that the proposed project activity does not increase the lifetime of the existing gas turbines. Instead of a demonstration, the PDD has provided a statement, which is not appropriate. The residual lifetime of these equipments should be provided by the PPs.

Sherritt Comment:

As required by, ACM0007, Version 01, we have stated that the project activity does not increase the lifetime of the existing gas turbine during the crediting period. The normal lifetime for a gas turbine generator of this type will have some variation but is generally over 25 years. Since the Varadero gas turbines were installed new in 1998 and 1999, the remaining expected lifetime extends well beyond the 7-year crediting period specified in the PDD. There is no modification to the turbines operating environment that would affect their life. They would operate in the same way regardless of whether the project was developed or not. As a result, the project neither increases nor decreases the wear on the units and there is no difference in the lifetime as a result of the project activity.

Issue 4:

The baseline scenario is the one described in page 2 of ACM0007 version 1. This has not been sufficiently substantiated. Also, the project undertaken without being registered should be included in the list of the plausible alternatives to the project activity.

Sherritt Comment:

The baseline scenario as outlined in the PDD addresses each of the requirements as specified in ACM0007 (Version 01). Some of the steps may be more fully addressed in the additionality section because it was felt that it was more appropriately dealt-with there.

The alternative of the project undertaken without being registered has been addressed in the additionality section of the PDD (page 16). In the baseline scenario, the registration or non-registration of the project seemed to make little difference but it was felt to be relevant to additionality. Therefore it was included there.

Issue 5:

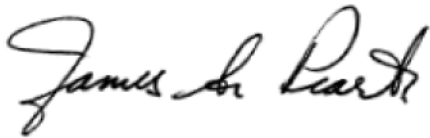
No information is provided concerning the temperature of the recovered waste heat, the pressure of the HRSG. Also no information is provided concerning the energy flow rate at the inlet of the HRSG related to the waste gas recovery.

Sherritt Comment:

The project proponents have reviewed the requirements for preparing the PDD under ACM0007 (Version 01) and are unable to find any indication that the information requested above is a requirement. The specific data requested is not required for the operation of the HRSG and would not be used for monitoring the project emissions. Consequently the information specified above has not been included in the PDD. For information, we can report that the temperature of the exhaust gas is 545 degrees Celsius, the exhaust gas flow rate is 135.28 Kg/s and the enthalpy of exhaust gases at the inlet to the HRSG is 600.43 KJ/Kg. This may be useful in consideration of the technical operation of the project.

We hope that these additional comments will be of use to the Board in its deliberation of these requests.

Sincerely,



James Peart,
Manager, Environmental Development
Power Division,
Sherritt International Corporation