



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

DET NORSKE VERITAS
 CERTIFICATION AS
 Veritasveien 1
 1322 Høvik
 Norway
 Tel: +47 6757 9900
 Fax: +47 6757 9911
<http://www.dnv.com>

Att: CDM Executive Board

Your ref.:
 CDM Ref 0918

Our ref.:
 MLEH/ETEL

Date:
 30 April 2007

Response to request for review “Energas Varadero Conversion from Open Cycle to Combined Cycle Project” (0918)

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 “Energas Varadero Conversion from Open Cycle to Combined Cycle Project” (0918), and we would like to provide the following response to the issues raised by the requests for review.

Comment 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).”

DNV Response:

We can partly agree with the comment that the barriers are not project specific. However, this does not mean that these are still not representing barriers for CDM projects in Cuba. By assessing the barriers to a potential CDM project, it is our view (and also a decision by the EB) that these should be assessed on the merits of the project in question. The fact that these barriers apply to most/all projects in Cuba does in our view not question the additionality of the project. If the project by the assistance of CDM has made it possible to alleviate these barriers, this should be sufficient. In this case, the project proponent has demonstrated that this project was carried out as part of their global strategy to reduce GHG emissions. The comprehensive barrier analysis presented in the PDD for the project clearly indicates that this project in no way represent what would otherwise have happened. It should be clear from the last part of the discussion in section B.5 of the PDD that CDM revenue as well as the participation in CDM itself indeed will assist in alleviating the barriers presented.

Comment 2:

“In page 37 of the PDD, there is an 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 an 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.”

DNV Response:

The text on page 37 in the PDD referred to in the comment is referring to the procedures deemed necessary to adjust or establish procedures to provide sufficient monitoring in accordance with the monitoring and reporting requirements of ACM0007. As there was no such methodology in 2003, this is the explanation for the referred phrasing of the PDD.

As for the barrier argumentation, as reported in our validation report, DNV has assessed each and every barrier presented in accordance with the “tool for demonstration and assessment of additonality” as presented in the PDD. There is no indication that the barriers presented in the PDD were not applicable in 2003 or in 2002 when the project was initiated. In this case the starting date is also less relevant, as the project proponents, despite early discussions regarding the project, are not able to claim retroactive credits from the project. Please see attachment on the project history as attached.

Comment 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.”

DNV Response:

As stated in the validation report, we have assessed the referred applicability criterion. Given the conditions described in the PDD section A 4.3 as well as the nature of the technology applied, the referred statement given in the PDD is by DNV deemed sufficient to support this criterion. This is based on the fact that the open cycle gas turbines went into operation in 1998-99 and through the project were converted to the combined cycle in 2003, that the technology has an estimated lifetime of at least 25 years and the project has selected a renewable crediting period with the first crediting period starting in 2007. Hence, this is considered acceptable.

Comment 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.”

DNV Response:

For the selection of the baseline scenario, please refer to the discussion on Cuba’s electricity operating margin and build margin in section B.5 of the PDD, as well as the baseline discussion in section 3.3. of DNV’s validation report. This documentation details the selected baseline scenario as well as how DNV has assessed this as well as other potential baselines in the project context.

It should be clear from the PDD’s application of the “tool for demonstration and assessment of additonality” that the project implemented without any CDM support also is considered as well as discussed (Please see page 16 of the PDD).

Comment 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.”

DNV Response:

The information on heat and pressure input as well as energy flow rates addressed in this comment is not required by the applied methodology ACM0007, as the electricity generation and displacement is measured directly by the application of the methodology. Hence, this information has not been considered necessary to include in the project documentation nor the validation report.

We sincerely hope that the Board accepts our above explanations.

Yours faithfully
for DET NORSKE VERITAS CERTIFICATION AS



Einar Telnes
Director
International Climate Change Service

Michael Lehmann
Technical Director

.....
Attachement: Varadero History overview