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May 18, 2007

UNFCCC Secretariat
Martin-Luther-King Strasse 8
D-51353 Bonn
Germany

Attn: CDM Executive Board

Re: Response to request for review, “Reduction of Flaring and Use of Recovered Gas for Methanol Production”

Dear Members of the CDM Executive Board,

We refer to the requests for review made by four Board members regarding the request for registration of “Reduction of Flaring and Use of Recovered Gas for Methanol Production” (0972) and provide the following response to the issue raised in the request for review.

Reasons for Request:

1. The project began construction in 1998, which should be considered as the start date of the project and therefore the project might not be eligible to be a CDM project as it was started well before Jan 1, 2000 and does not pass Step 0 of the Tool for Additionality.

MDL Ambiente Response:

Per the Glossary of CDM Terms for completing the PDD, “the start date of a project activity is the date at which the implementation or construction or real action of a project activity begins”¹. The Glossary defines a project activity as follows; “A project activity is a measure, operation or an action that aims at reducing greenhouse gases (GHG) emissions. The Kyoto Protocol and the CDM modalities and procedures use the term “project activity” as opposed to “project”. A project activity could, therefore, be identical with or a component or aspect of a project undertaken or planned”².

¹ UNFCCC. “Glossary of CDM Terms, version 01”. Accessible at:
http://cdm.unfccc.int/Reference/Guidclarif/glossary_of_CDM_terms.pdf

² *Ibid.*

The above-referenced glossary of terms explicitly list three possible definitions of the start date for a project activity. The Glossary does not state that it is the earliest of the three possible definitions that defines the start date or that commencement of construction serves as the default definition. Rather, it lists three distinct possibilities connected by “or”. Further, the Glossary’s definition of project activity makes it clear that the *project activity* need not be identical to the *project* itself and that a “project activity” can be the component or aspect of the project that results in emission reductions.

In the case of project 0972, the project activity is utilization of previously flared methane and, therefore, the start date of the project activity is commencement of the real action, which is May 3, 2001 when the plant began operating, flaring was curtailed, and the emissions-reducing activities commenced³. This issue was also addressed by the DOE in response to a public comment received during validation regarding the start date for the project activity⁴. We have also included an Annex that describes how these definitions have been applied to other projects.

Neither the conceptualization of a project nor commencement of construction of a project guarantees successful completion and initiation of the real action of the project activity. Many projects begin design but are never constructed and many projects that commence construction never come into operation as a project activity—as was nearly the case with this project which involves utilization of stranded gas in Africa, a particularly high risk undertaking for which the CDM incentive was a key factor in the decision to complete the project.

As is clearly evidenced in Board Records and official corporate correspondence included in the PDD⁵ and cited in the Validation Report⁶, construction activities came to a near halt and the project proponents gave serious consideration to cancelling construction of the project altogether in 2000. The records demonstrate that the CDM was an explicit factor in the project proponent’s decision to continue the project and start the real action of the project activity. Based on these facts, the additionality of the project activity has been validated by the DOE. We observe that these key elements of the demonstration of additionality were not questioned in the four requests for review.

Given that the proponents have satisfactorily demonstrated that emissions are lower than they would be in the absence of the project activity and that the CDM was a decisive factor in the development and completion of the project activity, it is appropriate to define the start date as May 3, 2001, the commencement of the real action of the project activity. The existing language in the CDM Glossary provides a range of definitions that enable the start

³ Refer to the document titled “Notice of First Industrial Production”. Accessible at:

<http://cdm.unfccc.int/UserManagement/FileStorage/PHE20ROE86DC3S1S7JBCVPVGBS32T5>

⁴ DNV. “Validation report for: Reduction of flaring and use of recovered gas for methanol production, Equatorial Guinea”, pg. 16. Accessible at:

<http://cdm.unfccc.int/UserManagement/FileStorage/Y7L3OTAAEWJRARX0G4LBAW9VBD6NTU>

⁵ AMPCO. “Reduction of flaring and use of recovered gas for methanol production”, PDD, Annex 6, pg. 51. Accessible at:

<http://cdm.unfccc.int/UserManagement/FileStorage/PBOEU77Q7BJNWE5YZBUU2MXHH2U3RG>

⁶ *Ibid.* Page 11

date to be defined in a manner that coincides with the role of the CDM in the underlying project activity. The start date for project activity 0972 was determined by the DOE to be the commencement of the real action of the project activity that reduces GHG emissions—an action occurring after January 1, 2000 that demonstrably may not have occurred absent the CDM.

Sincerely,

A handwritten signature in blue ink, appearing to be "B. Richardson". The signature is stylized with loops and a period.

Mr. Ben Richardson
Director
MDL Ambiente Limited

Annex I

This annex contains information from several registered project activities where it is clear that some level of activity took place to develop the projects prior to January 1, 2000. As is the case with 0972, it is clear that the CDM played a vital role in enabling the real action of these project activities to begin. The definitions in the CDM Glossary enabled the start dates for these registered projects to coincide with the contribution of the CDM to the real action of the project activity.

Project Title: Matanzas Hydroelectric Plant	Ref No. 0172	Host Country Guatemala
Implied Implementation date: January 1994 (PPA date)		
Activity Start Date: Beginning construction in 1999 (according to July 1999 AIJ report ⁷)		
Starting Date of the Project Activity (in PDD): February 2001		
CDM Registration Date: January 21, 2006		
Host Country Approval: November 24, 2005 (CDM) February 25, 1998 (AIJ)		
Project Title: El Canada Hydroelectric Project	Ref No. 0606	Host Country Guatemala
Implied Implementation date: Creation of the lead company 1999		
Activity Start Date: February 2002 (Construction start date)		
Starting Date of the Project Activity (in PDD): November 2003 (Construction completion date)		
CDM Registration Date: December 2, 2006		
Host Country Approval: November 2, 2005 (CDM)		
Project Title:	Ref No.	Host Country

⁷ AIJ Report. "Matanzas Hydroelectric Project". July 1999. Accessible at:
http://unfccc.int/kyoto_mechanisms/aij/activities_implemented_jointly/items/2043.php

Landfill gas extraction on the landfill Villa Dominico, Buenos Aires, Argentina	0072	Argentina
<p>Suggested Implementation date: Site selected in 1998 (according to June 2000 AIJ report⁸)</p> <p>Activity Start Date: Pumping trial started January 2004</p> <p>Starting Date of the Project Activity (in PDD): January 2004 (date of pumping trials)</p> <p>CDM Registration Date: September 17, 2005</p> <p>Host Country Approval: June 22, 2005 (CDM) October 23, 1998 (AIJ)</p>		
<p>Project Title: Landfill gas recovery at the Norte III Landfill, Buenos Aires, Argentina.</p>	<p>Ref No. 0260</p>	<p>Host Country Argentina</p>
<p>Implied Implementation date: Site selected in 1998 (According to June 2000⁹ AIJ report)</p> <p>Activity Start Date: Concession contract signed in June, 2005</p> <p>Starting Date of the Project Activity (in PDD): December 1, 2005</p> <p>CDM Registration Date: May 28, 2006</p> <p>Host Country Approval: November 30, 2005 (CDM) October 23, 1998 (AIJ)</p>		

⁸ AIJ Report. "Landfill Gas Management in Greater Buenos Aires, Argentina". June 2000. Accessible at: http://unfccc.int/kyoto_mechanisms/aij/activities_implemented_jointly/items/1799.php

⁹ AIJ Report. "Landfill Gas Management in Greater Buenos Aires, Argentina". June 2000. Accessible at: http://unfccc.int/kyoto_mechanisms/aij/activities_implemented_jointly/items/1799.php