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Att: CDM Executive Board

Your ref.:
CDM Ref 1037

Our ref.:
MLEH/ETEL

Date:
15 August 2007

Response to request for review Aços Villares Natural Gas Fuel Switch Project (1037)

Dear Members of the CDM Executive Board,

We refer to the requests for review raised by three Board members concerning DNV's request for issuance of CERs for project activity 1037 entitled "Aços Villares Natural Gas Fuel Switch Project", and we would like to provide the following response to the issues raised by the requests for review.

Comment 1:

"The natural gas consumption for M6 equipment group was calculated rather than measured. This deviates from the registered monitoring plan which stipulates the natural gas consumption shall be monitored continuously by the meters. The verification report has not appropriately addressed this deviation."

DNV Response:

In the M6 group there is only one flow meter which continuously measures the natural gas consumption of three furnaces, including a new furnace with the same capacity as the others, which is not included in the CDM project activity. For this particular group, the natural gas consumption stated in the monitoring report is the relative gas consumption of the two furnaces included in the CDM project activity. The monitoring approach was to assume that the two furnaces included in the CDM project activity consumed 2/3 of the total amount of fuel metered for all three furnaces. This assumption is based on the fact that all three pieces of equipment have the same capacity, and thus the fuel consumption of each of these furnaces is the same.

Comment 2:

"The natural gas consumption for parts of C1-C6, M1-M6 was calculated rather than measured. This is not in accordance to general guidance for small-scale CDM project activities in Annex 33, EB 23, which stipulates "data variables that are most directly related to the emission reductions should be measured continuously". The verification report has not appropriately addressed this deviation."

DNV Response:

All indicators stated in the monitoring plan of the validated and registered PDD, which is based on the monitoring methodology AMS-III.B version 10, are monitored and reported by means of

monthly production reports of the 13 equipments groups of Villares and by natural gas reported in the Monthly Energy Balance Reports of Villares, except for the groups C3 and M6. For group C3 the fuel switch was implemented in July 2002. However, the specific natural gas flow meters were installed in August 2005 only. During the period prior to the installation of the specific natural gas flow meters, the production was directly accounted and the consumption of natural gas was calculated based on an average of the specific consumption, which was compared with the average of direct measurements from September 2005 to April 2007. These calculations were carried out in a conservative manner. However, since these measurements were not directly monitored, the project participants proposes to exclude the emission reductions for group C3 for the period from July 2002 to August 2005 and consider only the emission reductions from September 2005 when specific flow meters were installed on the furnaces.

As explained above, for group M6, the monitoring approach was to assume that the two furnaces included in the CDM project activity consumed 2/3 of the total amount of fuel metered for all three furnaces. Nonetheless, the project participants propose to exclude these emission reductions from the monitoring report of this period.

In conclusion, it is DNV's opinion that the calculation of emissions reduction was done in an appropriate manner and the measurements can sustain the reported emission reductions. However, we acknowledge that for groups C3 and M6 monitoring was not exactly as mentioned in the PDD.

We sincerely hope that the Board accepts our above explanations.

Yours faithfully
for DET NORSKE VERITAS CERTIFICATION AS



Einar Telnes
Director
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