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15 August 2007

Dear Members of the CDM Executive Board,

Response to review – 1037 Aços Villares Natural gas fuel switch project

Please find below our responses to the issues raised as part of the review for this project.

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.”

PP Response

In the M6 equipment group there is only one meter for 3 pieces of equipment, although only 2 of these pieces of equipment are included as part of the project activity. Therefore the monitoring approach was to assume that the two pieces of equipment included in the project activity consumed 2/3 of the total amount of fuel metered for all three pieces of equipment. This was based on the fact that all three pieces of equipment have the same capacity, and therefore the fuel consumption of these pieces of equipment is equally distributed amongst all three.

If this approach is not approved by the EB we are satisfied to remove the emission reductions related to this equipment group from those claimed for this verification period.

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.”

PP Response

If calculated values for natural gas consumption are not acceptable we will exclude the emission reductions 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 equipment group. Please refer to the attached amended workbook.

We hope that the comments above address the issues that have been raised. However, if there is any further information required we would be very happy to provide it.

Yours sincerely

A handwritten signature in black ink, appearing to read 'B. Kinhead', with a stylized, flowing script.

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