DET NORSKE VERITAS

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Att: CDM Executive Board

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Your ref.:	Our ref.:	Date:
CDM Ref 1044	MRSA/ETEL	19 July 2007

Response to request for review
"Ingenio Magdalena S.A Cogeneration Project" (1044)

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 "Ingenio Magdalena S.A Cogeneration Project" (1044)", and we would like to provide the following response to the issues raised by the requests for review.

Comment 1:

"Scenario 14 is applicable to energy efficiency projects with retrofit or replacement of the existing biomass power plant. However, there is no retrofitting or replacement until the end of 2007 (phase 3)."

DNV Response:

Normally the construction or retrofit of an industrial plant involves different phases. Under the CDM, in theory approved baseline and monitoring methodologies are applicable to project activities as a whole. In the case of Ingenio Magdalena S.A Cogeneration Project, the equipment replacement involves four implementation phases, which result in significant changes in the configuration of the cogeneration plant and improvement of energy efficiency of the biomass plant as a whole. It should also be noted that the plant energy efficiency is changed not only as a result of measures implemented at phase 3 and 4 of the project activity, but also due to previous changes in the configuration of the plant, which were implemented during phases 1 and 2.

Comment 2:

"It has not been demonstrated in the PDD and validation report how the "same type and quantity of biomass residue as in the project" would be used in the absence of phase 1 and 2 of the project activity when existing cogeneration equipment continues to operate until the end of 2007 (phase 3)".

DNV Response:

As emphasized in the previous answer, the project activity consists of four implementation phases. As a result of the implementation of these of these four steps, and as mentioned in the validation report and demonstrated in the PDD, the energy efficiency of the plant is improved. Regarding the consumption of the same type of biomass during the project activity when compared with the baseline scenario, please consider response below.

Comment 3:

"In addition, page 7 of the validation report confirms that the thermal firing capacity after the project activity has increased. It should be justified how the requirement of scenario 14 of ACM0006 v4 that the project should "increase the power generation capacity, while the thermal firing capacity is maintained" has been met. It should be noted that the methodology states that "Where a combination of project activity and baseline scenario is not covered by this methodology, project participants are encouraged to submit proposals for revision or further amendment of this consolidated methodology."

DNV Response:

As sugar-cane bagasse is a by-product of sugar production, DNV has verified that all incremental biomass residue consumption and associated thermal energy generation during the project activity (in comparison with the baseline scenario) will be due to the company's natural expanding sugar production business as a response to the projected demand increase in sugar market. Thus, such increments can not be attributed to the implementation of the project activity as they would have also occurred in the absence of the project (baseline plant configuration).

It should be noted that the recently implemented baseline scenarios 18 and 19 of ACM0006 (scenarios implemented in version 5 of ACM0006 not available by the time project was submitted for validation) indeed make a provision to increase in thermal firing capacity in projects resulting in improvement of energy efficiency by considering that " (…) *in the absence of the project activity, the existing plant would also be retrofitted, but resulting in a lower efficiency of electricity generation than in the project case (e.g. by using a low-pressure boiler instead of a high-pressure boiler). The retrofitted plant in the baseline is referred to as "reference plant"*." However, given that while scenarios 14, 18 and 19 adopt the same formula for estimation of the annual additional quantity of electricity generated as a result of the project implementation, the estimated GHG emission reductions would not change if scenario 18 or 19 were adopted as an alternative.

Finally, it should also be noted that, while registered as a CDM project activity, the project will generate certified emission reductions which are to verified based on the amount of excess electricity that the plant exports to the grid (monitoring parameter) and not based on the estimated additional electricity.

Comment 4:

"As specified in paragraph 24 of EB20 when requesting retroactive credits ex-post data vintage should be used for calculating baseline emission factor if both ex-ante and ex-post options are allowed."

DNV Response:

The PDD (section B.6.2) and validation report were amended in accordance with the guidance of paragraph 24 of EB20. However, it is important to note that as recommended by the Meth Panel on its 15th meeting, for calculation of baseline emissions the most recent information for the vintage of data appropriate to the project, available during the validation stage, were used: the vintage of data adopted was 2003-2005, while the crediting period starts in 2005.

Comment 5:

"The PDD does not include monitoring of OM and BM baseline emission factors for which both ex-ante and ex-post options are allowed in ACM0002 in line with requirement specified above."

DNV Response:

As ex-post data vintage will be used for calculating baseline emission factor, the PDD (section B.7.1) and validation report were amended. Both the operating margin and the build margin baseline emission factors will be monitored during the crediting period.

We sincerely hope that the Board accepts our above explanations.

Yours faithfully.

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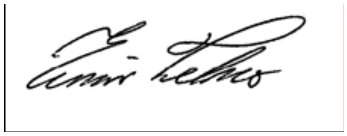

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