



UNFCCC Secretariat
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DET NORSKE VERITAS
DNV CERTIFICATION AS

Att: CDM Executive Board

Your ref.:
CDM Ref 1033

Our ref.:
MRSA/ETEL

Date:
30 July 2007

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**Response to request for review
“GEEA Biomass 5 MW Power Plant Project” (1089)**

Dear Members of the CDM Executive Board,

We refer to the requests for review raised by three Board members concerning DNV’s validation report for the project activity entitled “GEEA Biomass 5 MW Power Plant Project” (1089), and we would like to provide the following response to the issues raised by the requests for review.

Comment 1:

Further evidence supporting the identified barriers should be presented in the PDD and validated by the DOE to confirm the additionality of the project activity.”

DNV Response:

Investment barrier:

The information provided in the PDD has been complemented with an investment analysis. The project’s IRR without CER revenue has been demonstrated to be 6.02%, below the selected benchmark by SELIC (Special System of Clearance and Custody. Brazilian Central Bank, 2007). A sensitivity analysis with respect to the electricity price, biomass cost, and maintenance cost has been done. The project’s IRR is in all the cases below the benchmark. The detailed calculations are attached to the project developer’s response.

Common practice barrier:

The power generation mix in Brazil shows that the utilization of biomass for electricity generation is not common practice. The annex to the project developer response includes the specific data based on the National Energy Balance 2005 from the Ministry of Mines and Energy. Furthermore, a public study done in 2004 shows that ca 60% of the rice husk in Rio Grande do Sul State is landfilled.

Comment 2:

The PDD states, “The project will neither lead to fuel diversion to carbon-intensive fuels or displacement of existing or planned rice husk plants. The demand for rice husk other than from the Project is very limited and will remain so in the future. Monitoring the possibility of leakage is unnecessary.” Evidence confirming that current and future demand for rice husk other than from the project activity is very limited is required. Further, in accordance with the Board’s “General guidance on leakage in biomass project activities”, the project participant should evaluate annually if there is a surplus of the biomass in the region of the project activity, which is not utilised. This should be reflected in the monitoring plan.”

DNV Response:

As verified during the site visit, and evidenced on pictures enclosed in Attachment 1, the common practice of the rice industry in Rio Grande do Sul State is dumping the rice husk in open landfills. The surplus of rice husk in the area is four times the amount expected to be utilized by the project. The PDD has been amended to include the annual monitoring of surplus biomass.

Comment 3:

The DOE has validated the start date of crediting period as 1 July 2007, while the PDD indicates 1 July 2008 (Validation Report, p.A-10).


DNV Response:

The correct start date of the crediting period is 1 July 2008.

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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Miguel Rescalvo Santandreu

Project Manager

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Attachment 1: Two photos

Attachment 1:

Photos showing rice husk dumped in landfills.



