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Dear Members of the CDM Executive Board,

Request for review – 1104 Ancon – EcoMethane Landfill Gas project

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

1. It should be more clearly indicated how the statement that the local regulation regarding LFG capture and flaring are not enforced has been validated

The project participants believe that the statement of a non-enforcement of local regulations has been presented in the PDD in a transparent manner in Sub-step 1b Alternative 3, and in Sub-step 4 according to the Tool for the demonstration and assessment of additionality version 3 (EB29). This issue has been confirmed by the DOE through a personal interview with the Ministry of the Environment¹, as indicated in DNV's Final Validation Report, page 4, chapter 2.2. It was further addressed in detail in DNV's Final Validation Report as follows:

- "Existing regulations do provide recommendations, but do not detail specific requirements regarding the construction of gas-collection systems or the technique which shall be applied to collect, control and monitor the LFG. The regulation notwithstanding, common practice demonstrates that existing landfills in the country do not capture and utilise their LFG [...] Both Law No 27314 and the corresponding decree No 057-04-PCM are not enforced in Peru since the last adoption about two years ago and have more the character of a policy." (page 7, Alternative 3)
- "To date there has been very limited development of LFG projects in Peru. [...] Since the adoption to Decree 057-04-PCM in year 2004, no new proper LFG collection and flaring/utilisation system have been developed in Peru, except for CDM projects. (page 8, Sub-step 4a.)
- "It was verified during the follow-up interviews that LFG is not required to be flared under the baseline conditions." (page 10, chapter 5 Validation Opinion)
- "The baseline has been determined taking into consideration all the policies / legislations related to landfill operations in Peru. Rules for application of Law 27446 for environmental certification have not been developed and the regulation is not in force" (page A-9, question B.2.4.)

¹ Interview on the 7th of November 2006, with José Tello Molina and Vilma Morales – Dirección General de Salud Ambiental DIGESA (General Administration of Environmental Health).

2. Information is required to substantiate how the proposed 5% adjustment factor is in accordance with the approved methodology

According to the applied Approved Methodology it is stated that:

“In cases where regulatory or contractual requirements do not specify $MD_{reg,y}$ an “Adjustment Factor” (AF) shall be used and justified, taking into account the project context.”

The following examples provide guidance on how to estimate AF:

- In cases where a specific system for collection and destruction of methane is mandated by regulatory or contractual requirements, the ratio of the destruction efficiency of that system to the destruction efficiency of the system used in the project activity shall be used.
- In cases where a specific percentage of the “generated” amount of methane to be collected and destroyed is specified in the contract or mandated by regulations, this percentage divided by an assumed efficiency for the collection and destruction system used in the project activity shall be used.

In this instance, neither example applies, as the applicable regulatory or contractual requirements do not mandate a system for collection and destruction of methane or call for the collection and destruction of a specific percentage of the generated amount. Hence the project participants and DNV believe that the project is not obliged to use an Adjustment Factor (i.e. a 0% AF is methodologically correct). However in the baseline scenario very occasional flaring was happening, and therefore the Project Participants applied a 5% AF to be conservative. A description of the current practice, and further explanation as to why this AF is conservative, appears below.

In the baseline scenario the Ancon Landfill site vents LFG through a very simplistic passive system, which consists of old oil drums buried in the body of waste. There is no suction applied to actively remove LFG generated in the landfill, and therefore the efficiency of the gas capture is very low. The site is capped with sand, which does not prevent the emission of the LFG to the atmosphere, nor does it force LFG to migrate towards the oil drum vents. The geometry of the site and the large distance between the gas wells in the baseline scenario results in lateral migration of the LFG, which then escapes to the atmosphere (i.e. only very small quantities of the LFG are vented through the oil drums). The oil drum wells are sometimes randomly lit by the personnel working at the site (i.e. there is no systematic schedule of well lighting), and therefore only partial flaring of gas occurs in the baseline scenario. Due to the conditions described above the amount of LFG flared in the baseline scenario is very minimal.

This assessment is supported by DNV's analysis of this issue in their Final Validation Report as follows:

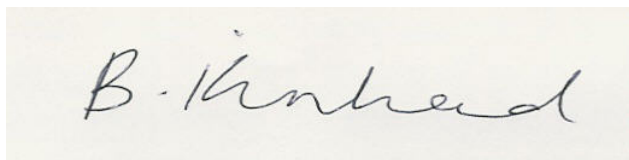
- “The ex-ante determined adjustment factor of 5% for baseline emissions was deemed appropriate by DNV. It has been determined considering that the regulatory requirements do not indicate any specific amount of gas collection and utilization or flaring, and in practice a minimal amount of LFG is actually flared.” (page 9, last paragraph of chapter 3.6)

- “The applied adjustment factor (AF) for the project is 5%. It has been determined considering that the regulatory requirements do not indicate any specific amount of gas collection and utilization or flaring, and in practice minimal amount of LFG are actually flared.” (page A-8, A-9, question B.2.2.)

As stated above the methodology does not require an AF to be applied in these circumstances (i.e. an AF of 0% is methodologically correct), however we hope that the Executive Board agrees that the project participants have chosen to be conservative in applying a 5% AF.

We hope that the information provided here addresses the issues that have been raised.

Yours sincerely

A handwritten signature in blue ink that reads "B. Kinhead". The signature is written in a cursive, flowing style.

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