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Att: CDM Executive Board

Your ref.:
CDM Ref 1108

Our ref.:
MLEH/ETEL

Date:
10 September 2007

Response to request for review Golden Hope Composting Project - Merotai (1108)

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 project activity entitled "Golden Hope Composting Project Merotai" (1108), and we would like to provide the following response to the issues raised by these requests for review.

1. The PP/DOE shall further demonstrate the additionality of the project activity, as the benchmark used for the investment analysis has not been selected from a documented source and the rates of POME production per year that are used are higher than those values actually measured at the plant.

DNV Response:

We refer to the response to the requests for review submitted by the project participants which now demonstrates that the benchmark is selected based on the expected return on investment by the Golden Hope Plantations Berhad. The average return on asset (ROA) that was calculated for the financial year of 2003-2005 further justifies the appropriateness of the 10% benchmark applied.

The earlier source for the 10% benchmark was selected from a documented source, i.e. the base lending rates (BLR) released by Bank Negara Malaysia (BNM), which is the Central Bank of Malaysia (see <http://www.bnm.gov.my>). This base lending rate was deemed appropriate and reliable by DNV as a benchmark.

The difference in the estimated rate of POME production per year against the actual measured values at the plant was thoroughly discussed in CL 9, page 48 in the validation report. Furthermore, referring to the response by the project participants, DNV has closed the CL based on the understanding that there will be fluctuations due to varying windrows composting operational patterns. Moreover, DNV was able to confirm that the actual measured values for the year 2006 is not representative and can thus not be used in the investment analysis.

2. In addition, the DOE states that it has validated that the CDM was considered before project implementation through a Letter of Intent which was signed between the Danish Government and Golden Hope Plantations Bhd on 8 April 2003 to indicate their intention to develop CDM projects

(page 10 of 55 of the Validation Report). That letter of intent seems to refer to CDM projects in general and not to this specific project. Further clarification is required.

DNV Response:

We refer to the response to the request for review submitted by the project participants where the relevant documents presented to DNV to demonstrate that the CDM was considered before project implementation are described. This project (Merotai) was clearly included on page 8 of the document titled "Final CDM Project Pipeline". The project is included in the pipeline of projects in the final Emission Reduction Purchase Agreement (ERPA) signed on 12 December 2006, which refers to the Letter of Intent signed on 8th April 2003. As the ERPA and Letter of Intent contained other confidential information, it was presented to DNV only.

3. The methodology requires the diesel consumption related to the project activity be monitored.

DNV Response:

We refer to the response by the project participants that diesel consumption will be monitored as per the request. Section D.3 of the PDD has been amended accordingly with the data parameter Q_{diesel} .


4. Clarification is required as to why diesel consumption is included in Annex 5 of the PDD but not in the table of data to be monitored in D.3.

DNV Response:

We refer to the response by the project participants that Section D.3 will be updated to include monitoring of diesel consumption (Q_{diesel}).

We sincerely hope that the Board accepts our above explanations.

Yours faithfully
for DET NORSKE VERITAS CERTIFICATION AS


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