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Members of the CDM Executive Board
UNFCCC Secretariat
Martin-Luther-King-Strasse 8
D-53175 Bonn
Germany

24 October 2007

Dear Members of the CDM Executive Board,

Request for review– Project 1141 : Amurang Biomass Cogeneration Project

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

1. The PP shall further demonstrate the additionality of the project activity.

Section B.3 of the PDD has been redrafted in order to provide further information to demonstrate additionality of the project activity. The technological and prevailing practice barriers have been further elaborated.

2. As the baseline plant was not operational prior to the project activity, further clarification is required on how the baseline has been validated with reference to paragraph 6 of the applied methodology, including clarification that the diesel generators would continue to operate in the absence of the project activity.

The baseline plant was re-started by Cargill in 27 April 2006. As the PDD was originally written in June – October 2006 (the project was first posted online for validation 14 Oct 06 - 12 Nov 06), at the time, the facility was operational, but had not been operating long enough to use actual baseline data[1]. As power is necessary for the facility and there is not sufficient supply of power in the region to provide for the existing demand (and demand has been increasing in the region) Cargill is using, and will continue to use, diesel run boilers and gensets to generate heat and electricity for the facility in the baseline. PT Cargill Indonesia has provided a Certificate[2] confirming that the facility re-opened on 27 April 2006[3]. Furthermore, if necessary, Cargill can provide receipts for diesel purchased from April 2006 till now to allow for the facility operation. Cargill also will be continuing to use diesel generated power at the facility, if the Project activity is not built. As the Project activity does not yet have approval from upper management (pending registration as a CDM project) and

[1] Note that there is now available baseline data from April 2006 (when the baseline plant was re-opened) to October 2007 for the facility operating at the capacity of processing 150 tonnes of copra per day.

[2] Please see Annex 1

[3] It should be noted that the facility will be shut down for four months between 27 June 2007- 1 November 2007 in order to expand the facility.

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the cogeneration provider has not yet been contracted, the expanded facility will operate on diesel for at least 14 months, the minimum amount of time to install the cogeneration facility from the day of ordering the equipment.[4]

3. In addition, as the plant was not operating at the time the project activity began, no fossil fuel was being consumed and therefore the project activity would not bring about any real emissions reductions. Furthermore, no information is provided as to when the existing facility ceased operations and what the plans were to start it up again. The only additional information given is that the previous owners of the plant had financial difficulties. There is no indication that the new owner, Cargill, ever planned to operate the plant using diesel.

As stated above, the diesel heat and electricity generation re-started on 27 April 2006. Cargill would not have been able to re-open the coconut oil facility without the immediate use of diesel power. This is demonstrated through a Certificate from PT Cargill Indonesia[5]. Furthermore, the facility could not operate on an expanded basis without the use of diesel. The plant has been closed from 27 June 07 – 1 November 07 to expand production capacity. The expanded facility will re-open in November 2007, but the cogeneration facility will now not begin operation until April 2009 at the earliest, as construction has not yet begun and it will take a minimum of 14 months. In the interim the facility will have to rely on diesel gensets to provide their power requirements.

In answer to the second part of the question, a letter from PT Kamanta Vegetable Oil Ltd (the previous owner) has been obtained to prove the shut down of the facility on 12 May 2005. The letter translates as:

"According to the PT.CARGILL INDONESIA AMURANG request, we herewith certify that the latest shut down of the plant was on May 12th, 2005 (am). This certification is issued for whatever purpose it may serve".

The current owners, Cargill, have been using diesel, as described above. In addition, if required, records of diesel consumption from the period April 06 – Oct 07 can be made available confirming that diesel has been the source of power generation at the facility.

4. Further, a barrier is claimed related to the risk associated with the long term supply of biomass since there is ¨no guarantee of a long term supply¨. Page 9 of the PDD claims that there is a continued risk of shortage of the supply of biomass residues due to uncontrollable circumstances such as natural disasters or pests. However, it is also claimed that there is a surplus of supply of biomass so that potential leakage from competing uses of biomass can be neglected. In the validation report (page 12) the DOE states that: the analysis of the quantity of available biomass in the region (e.g. 50 km radius) has shown that there is a surplus of at least 50,000 tonne/year of biomass from the two regions where the copra will be sought, that is at least 25% larger than

[4] Price quotation with installation schedules for equipment for the cogeneration facility have been provided to the DOE.

[5] Please refer to Annex 1

the quantity of biomass that is utilized including the project activity. Further clarification is required on these inconsistencies, including the statement that when there is a scarcity of supply the diesel generator will be used as a back-up.

There is an excess of biomass residues in the region, as demonstrated through surveys conducted by Cargill in 2006. Furthermore, Cargill has also conducted a survey of the available coconut husk and palm kernel shells in the area; the PDD has been adjusted accordingly. The available coconut husk is approximately 250,000 mt/yr. The available palm kernel shell (in k mt/yr) is:

	2007	2008	2010	2012	2014	2015
Available palm kernel shell	120.41	136.95	177.33	244.75	320.47	357.23

Coconut palm trees are susceptible to diseases such as: root (wilt), lethal yellowing, cadang cadang, Ganoderma wilt and stem bleeding[6]. The project activity's back up supply of biomass residue is palm kernels. However, oil palm trees are also susceptible to diseases such as Ganoderma which causes basal rot. This is one of the most important diseases for the oil palm particularly in Southeast Asia. Disease management is constrained by limited understanding of the Ganoderma strains involved and of mechanisms of disease establishment and spread[7]. Currently, none of these diseases are abundant in Sulawesi and so, there is an excess of residues. However, if one of these diseases was to infect the palm population in the project activity region, a shortage of residues may occur. In the case that diesel would have to be used to supplement the power supply, then these emissions would be accounted for as is stated within the monitoring plan.

This is similar to what may happen to the biomass residue supply of other registered CDM project activities such as the **1.25 MW biomass based captive power plant by UP Asbestos Limited at Lucknow** which was registered 22 Sept 2007. As seen in the before mentioned registered PDD, "Although surplus quantity of rice husk is available currently in the region, but in a long run, supply of sufficient rice husk is not assured over the life time of the plant. Hence the constant availability of rice husk is the key to the success of the plant."

As required under Attachment C (information on leakage in biomass project activities), the excess of biomass residues in the region will be monitored on an annual basis and if an event occurs to cause there to not be an excess of residues in the region, this will be accounted for in the verification of the project activity. Monitoring of the biomass availability is included in the monitoring parameters in the PDD.

5. Since the thermal capacity of the boiler is less than the 45 MW thermal threshold for cogeneration systems, the application of small-scale methodology I.C is appropriate. Under this methodology the baseline is the fuel consumption of the technologies that would have been used in the absence of the project activity times an emission coefficient for the fossil fuel displaced. The project activity determines baseline emissions assuming that diesel fuel was used in the absence of the project activity,

[6] Nair, M. K.; Rajesh, M. K. (2001) Coconut Production and Productivity. Indian Coconut Journal 32(2) 2-12.

[7] *Ganoderma Diseases of Perennial Crops*. British Society for Plant Pathology.

and under this assumption the methodology is applied correctly, using default emission coefficients for diesel, and both for heat and for electricity (according to AMS I.D). However, if the facility has not been operating in recent years, and no fossil fuel was being used in the absence of the project activity, then no fossil fuel is in fact being displaced, and the baseline is actually zero emissions.

The facility has been operating since 27 April 2006 using diesel fuel to generate heat and power. Please see above for further explanation.

6. Information should be provided regarding when the facility ceased to operate and for what reasons, as well as if there were plans to restart operations using fossil fuel.

The facility ceased operation in 12 May 2005 due to financial difficulties as confirmed in the letter provided in Annex 2. The financial difficulties arose from trading position issues and problems with the high cost of copra, particularly for a small coconut oil producer.

Cargill purchased the facility and restarted operations using fossil fuel on 27 April 2006. Furthermore, Cargill will generate power for its newly expanded facility using diesel (baseline scenario) until the project activity is operating. Without carbon credits, the cogeneration facility will not be built and the facility will continue to run on diesel based power.

7. The DOE shall further clarify under what rationale and how they have validated the fact that the plant is not being operational.

The plant restarted operation 27 April 2006. This was confirmed through a site visit by Mr. Chee Keong Lai conducted 12-16 December 2006.

We hope that the clarifications above are sufficient to address the questions raised, and we look forward to the registration of this project.

Yours sincerely

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Annex 1

Cargill

CERTIFICATION

To Whom It May Concern:

This document is issued by PT Cargill Indonesia to certify that;

a) PT Cargill Indonesia have purchased the 150mt/day copra crushing plant of PT Kamanta Vegetable Oil (KVO) located at Amurang, North Sulawesi, Indonesia on Oktober 20, 2005 with the intention of expanding its capacity to 500mt/day copra.

b) after its purchase, PT Cargill Indonesia have restarted its plant operations on April 27, 2006 but still using the existing plant capacity of 150mt/day and have shutdown the plant on June 27, 2007 to give way for the plant expansion works.

c) PT Cargill Indonesia will resume its plant operations this November 1, 2007 with its new plant capacity.

This certification issued to support our application for Clean Development Mechanism(CDM) with Eco Securities.

Issued this 19th day of October, 2007.

Signed by:

Cargill
PT. CARGILL INDONESIA

Andianto Gowidjaja
Director

PT Cargill Indonesia
Plaza Bapindo Tower Citibank Lt. 23
Jl. Jend. Sudirman Kav. 54 - 55
Jakarta 12190

Tel (62 21) 526 6788 / 5289 6488
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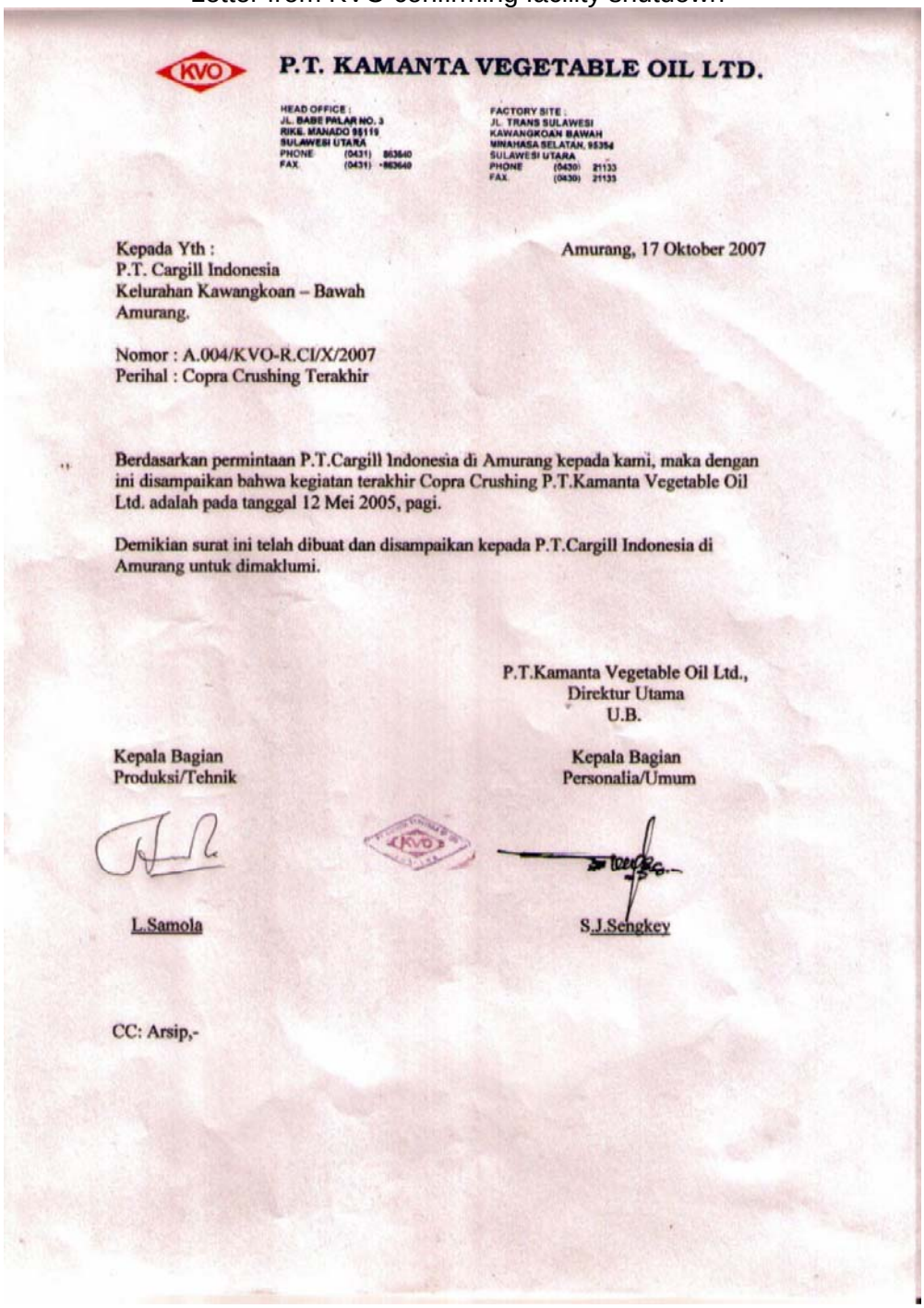
Annex 2
Letter from KVO confirming facility shutdown[8]



P.T. KAMANTA VEGETABLE OIL LTD.

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MINAHASA SELATAN, 95354
SULAWESI UTARA
PHONE (0430) 21133
FAX. (0430) 21133

Kepada Yth :
P.T. Cargill Indonesia
Kelurahan Kawangkoan – Bawah
Amurang.

Amurang, 17 Oktober 2007

Nomor : A.004/KVO-R.CI/X/2007
Perihal : Copra Crushing Terakhir

Berdasarkan permintaan P.T.Cargill Indonesia di Amurang kepada kami, maka dengan ini disampaikan bahwa kegiatan terakhir Copra Crushing P.T.Kamanta Vegetable Oil Ltd. adalah pada tanggal 12 Mei 2005, pagi.

Demikian surat ini telah dibuat dan disampaikan kepada P.T.Cargill Indonesia di Amurang untuk dimaklumi.

P.T.Kamanta Vegetable Oil Ltd.,
Direktur Utama
U.B.

Kepala Bagian
Produksi/Tehnik

L.Samola

Kepala Bagian
Personalia/Umum

S.J.Sengkey

CC: Arsip,-

[8] "According to the PT.CARGILL INDONESIA AMURANG request, we herewith certify that the latest shut down the plant was on May 12th, 2005 (am). This certification is issued for whatever purpose it may serve".