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Att: CDM Executive Board

Your ref.:	Our ref.:	Date:
CDM Ref 1494	DAVCOS/MLEH	13 August 2008

Response to request for review

"Burning of solid biomass for process steam generation for beer manufacture in place of fuel oils at AMBEV´s Branchs Agudos (SP) and Teresina (PI)" (1494)

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 project activity 1494 "Burning of solid biomass for process steam generation for beer manufacture in place of fuel oils at AMBEV´s Branchs Agudos (SP) and Teresina (PI)" and we would like to provide the following response to the issues raised by these requests for review.

Comment 1: ***The DOE is requested to clarify the prevailing practice barrier, in particular, if there are significant differences between biomass boiler operation for beverage manufacturing and other process industries as the technology for biomass boiler is domestic and widespread in Brazil and is used mainly in other process industries.***

DNV Response:

According to the information provided in section B.5 of the PDD and section 3.4 of the Validation Report, the use of a biomass boiler in the beverage sector requires a more complex operation compared to a fuel oil boiler.

The particulate emissions (not CO_2 emissions) from a biomass boiler are usually higher than a fuel oil type boiler. This may cause problems with local stakeholders and require more human and capital resources to maintain an adjusted a reliable operation. In addition, the reliability in raw material supply-chain shall be considered as a significant barrier, as it represents a risk for the project activity.

Furthermore, the differences between biomass boiler operation for beverage manufacturing compared to other process industries depends on the types, models and dimension of the biomass boilers, which are related to the process needs/demands of each industry, such as work pressure, steam flows, output temperature, fuel types (for different kinds of biomass, for instance), among other technical characteristics.

However, it is important to highlight that, by the time this project was implemented in 2004, AMBEV had several boilers operating in their facilities using fossil fuels in its 26 factories and only one running with biomass. Teresina was the first branch to test biomass on its steam supply operations.

Most part of the company's boilers, currently in 2008, are still working using fossil fuels. AMBEV has 28 beverage factories, being 20 factories running on fossil fuels and 8 running with biomass. Biomass operations are beginning to be developed and AMBEV wishes to replicate this fossil fuel boilers substitution for biomass types.

The 8 biomass factories mentioned above are part of a Global Contract between Ambev and APSIS, the CDM consultant, for the development of AMBEV CDM projects. This agreement was a key factor for the decision to implement the biomass boilers. However, due to the risks associated in CDM projects development, AMBEV and APSIS are developing these projects at time. The first of the eight project to be submitted and registered was project UNFCCC1202. The proposed project is the second one to have been submitted. In addition, AMBEV and APSIS have already started the PDD development for two other projects.

Project participants affirm that for this purpose the CDM is the incentive tool considered in all biomass operations to effectively achieve this long term goal.

According to the SINDICERV – Sindicato Nacional da Indústria da Cerveja (Beverage Industry National Syndicate), which provides several data and information about the Brazilian beverage market, AMBEV's group had in 2005 approximately 68% of the Brazilian beverage market share. This statement is accessible through the SINDICERV's website, but in Portuguese language only (available at: http://www.sindicerv.com.br/pdf/Mercado_Nacional_Cerveja_Participacoes_Mercado.pdf).

Therefore, it is DNV's opinion that the numbers provided by AMBEV are indeed representative and could be considered as per benchmark analysis purposes.

Comment 2: ***The DOE is requested to (a) confirm if the project start date is consistent with the CDM Glossary of Terms (b) to justify the time gap between the project start date and start of validation of the project activity with additional, preferably third-party evidence of serious consideration of the CDM.***

DNV Response in regards to comment 2a :

The start date, as per the CDM glossary of term, is the earliest date at which either the implementation or construction or real action of a project activity begins. In light of the guidance provided at EB41, the start date shall be considered to be the date on which the project participant has committed to expenditures related to the implementation or related to the construction of the project activity.

In light of the EB41 guidance on the definition of the starting date, which was not available at the time of the validation of this project, DNV agrees that the defined project starting date is not in accordance with the CDM glossary of term. In this regard, DNV requested the project participant to provide new evidences in line with the recent EB guidance. The project participant provided the equipment purchase contract between AMBEV and the steam supplier ALUSID. The contract was signed on 27 April 2004. This contract also covers the retrofit of the boiler to burn biomass. DNV has reviewed the contract and agrees that it is accordance with the CDM Glossary of term.

DNV Response in regard to comment 2b:

The time gap between the project and validation starting date of the project activity is justified below.

The evidences provided for each event has been reviewed by DNV:

1. AMBEV held a managers meeting on 10 April 2004. Minutes from this meeting were provided and reviewed by DNV. The minutes show that the CDM was seriously considered. DNV confirms that such evidence is in line with the guidance on the demonstration and assessment of prior consideration of CDM, EB41 Annex 46.
2. On 27 April 2004, AMBEV signed a contract with ALUSID to transform and operate the boiler.

3. On 6 July 2005, AMBEV made a public call to contract a consulting company specialized in CDM projects development implementation.
4. On 22 February 2006**,** AMBEV signed a contract with APSIS to implement the CDM project activity. This global agreement includes all the CDM projects activities to be implemented by AMBEV in its Brazilian branchs/factories. Due to the risks and costs associated to CDM projects activities development, AMBEV and APSIS decided to implement one project at the time.
   The first project selected as part of this agreement was the project ref 1202 *Burning of solid biomass for process steam generation for beer manufacture in place of the BPF 3 fuel oil at the Águas Claras do Sul Branch*, which was registered as a CDM on 5 November 2007.
   AMBEV then started to develop the proposed project ref 1494 after the DOES validated project ref 1202, on 22 February 2007.

In light of the events listed above, as well as the evidence provided for the CDM consideration, it is DNV's opinion that the project participant has appropriately justified the time gap between the project and validation starting date.

We sincerely hope that the Board find our elaboration on the above satisfactory

Yours faithfully,
for Det Norske Veritas Certification AS

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