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Att: CDM Executive Board

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Response to request for review
Offis Textile Ltd. Fuel Switch, Israel

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 1757 " Offis Textile Ltd. Fuel Switch, Israel" and would like to provide the below initial response to the issues raised by the requests for review.

1. Further clarification is required how the DOE has validated the additionality of the project activity, in particular that the project is first-of-its-kind in Israel.

It is in DNV's opinion sufficiently demonstrated that the project faces barriers due to prevailing practice as it is the first of its kind in Israel. During the validation of the "Hiriya Landfill Project", from which the "Offis Textile Ltd. Fuel Switch, Israel" project souces its landfill gas (LFG), DNV thoroughly investigated the current practise and the laws and policies related to the utilization of LFG in Israel. This included an interview with the Solid Waste Management Division of the Ministry of Environmental Protecion. This investigation confirmed that no LFG is currently used in boilers in Israel in absence of CDM benefits. This has also been confirmed in a letter provided by the Ministry of Environmental Protection dated 9 July 2007 which was considered during the validation of the "Hiriya Landfill Project" and the "Offis Textile Ltd. Fuel Switch, Israel" (refer to Appendix A).

Moreover, it is demonstrated that the project faces barriers due to the uncertainties in the volume and quality of the LFG available. The evidences provided by the project participants to demonstrate this uncetainty in the volume and quality of the LFG was a study published in Waste Management, the official journal of the International Waste Working Group, a non-profit think tank founded by leading experts in the field of waste management. The study (refer to Appendix B), which was published in November 2005, examined six different models for estimation of landfill gas, including LandGEM, and found (section 5 - p. 12-13) a "huge variation in results [that] cannot be considered to be acceptable."

The project participants also provided DNV with the December 2002 preliminary survey commissioned by Dan Region Association of Towns (DRAT) and based on the EPA's LandGEM model, and the actual average gas flow between August 2006 and July 2007. The survey was conducted by SCS Engineers and Tahal Consulting Engineers Ltd (refer to Appendix C). A comparison of the two shows that actual average gas flow was "approximately 30% of the gas flow estimated by the survey, prior to the implementation of the project activity". This discrepancy

between the predicted and actual gas quantity proves that the uncertainty faced by Offis Textile when deciding to implement the project – and consequent risks - were real and significant.

2. The DOE is requested to provide further details regarding how it has been validated that the benefits of CDM were a decisive factor in the decision to proceed with the project activity as required by Annex 46, paragraph 5 (a), of the EB 41.

In February 2005, the factory signed a contract with the Dan Region Association of Towns to purchase the landfill gas from the Hiriya landfill (this is considered the starting date of the project activity). The contract explicitly makes reference to the CDM and to carbon emission reductions as an expectation of undertaking the switch from HFO to LFG. The contract has been verified by DNV. In accordance with the guidance adopted by the Board at its 41st meeting, this demonstrates that the project participants were aware of the CDM prior to the project activity start date, and that the benefits of the CDM were a decisive factor in the decision to proceed with the project.

Section 8.12 of the contract deals explicitly with the commercial terms regarding the CERs ownership and states that "It is agreed that the emission reduction credits…will be divided between DRAT and Gas-Dan". The fact that DRAT and Gas-Dan agreed to divide the future CERs shows CDM to be an inseparable part of the commercial terms for the purchase of the gas. This clearly shows that the benefits of CDM were a decisive factor in the decision to proceed with the project activity.

A copy of the contract with the relevant parts translated has been provided to the DNV and is attached to this document (refer to Appendix D).

Moreover, it is DNV's opinion that real actions were taken to secure CDM status for the project in parallel with its implementation. It must be noted that the project was initially submitted for validation in November 2006 using AMS-I.C, version 8 (opened for comments by Parties, stakeholders and NGOs on 15 November 2006). Some months later the project participants decided that methodology AMS III.B was more appropriate for the project. The project was therefore republished for public comments on 23 June 2007 using AMS III.B. Following the Board clarification at its 35th meeting that projects switching from fossil fuels to renewable energy were not eligible to use AMS III.B, the project was again redeveloped using the latest version of AMS I.C (version 12) and was republished for public comments on 15 December 2007.

3. The DOE is requested to clarify how it has validated that the efficiency of boiler used in absence of the project activity is 90% and is in line with para graph 10 and 13 of AMS-I.C.(version 12).

In accordance with paragraph 13 of AMS-I.C (version 12), the boiler efficiency in the baseline was determined ex ante by one of the methods stated in AMS-I.C, i.e. the highest measured efficiency of a unit with similar specifications.

This option was chosen to determine the boiler efficiency because the boiler efficiency values are available for the specific boilers in the factory that are part of the project activity (PDD – section B.6.1., p.25, para. 2). The efficiency of the factory's boilers was determined with the assistance of boiler efficiency charts from the boiler manufacturer - Weishaupt. Stack temperatures and CO_2 concentrations were measured by the engineers of A.S. Research Services Ltd., a well-known company whose managers are certified by the U.S. EPA for conducting air emissions and energy

efficiency tests. Given those results, the efficiency charts were used to calculate the boilers efficiency.

The results of the boiler efficiency measurements between 2004 and 2006 have been presented and verified by DNV (refer to the validation report section 4.6). It has been demonstrated that the boiler efficiencies vary between 86% and 90% and in accordance with the first option of AMS-I.C, the highest measured efficiency of 90% has been used (PDD – section B.6.1., p.25).

Full documentation of the efficiency tests and calculation models can be found in Annex 5of the PDD.

Further substantiation for the fact that a value of 90% for boiler efficiency is conservative can also be found in Appendix E and F.

The first document (Appendix E) is a statement dated February 26, 2007 from the oil boiler manufacturer NESS Warmtechnik GmbH, according to which the boilers' calculated efficiency is 85% in environmental conditions which are similar to the actual conditions in the factory.

The second document is from Eng. Danny Miller from "Hammer-Miller – Industrial and Heat Engineering Ltd.", who has operated as a contracted industrial heat engineer for the past 20 years. The document dated February 23, 2007 (Appendix F) confirms the validity of the boilers efficiency measures and states that oil boilers operate at around 85% efficiency, while steam boilers operate around 87% efficiency.

We sincerely hope that the Board accepts our aforementioned explanations.

Yours faithfully
for DET NORSKE VERITAS CERTIFICATION AS

Michael Lehmann
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