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Attn: CDM Executive Board

Your ref.:
 CDM Ref 1933

Our ref.:
 LAICK/MLEH

Date:
 19 January 2009

Response to request for review

Reduction in clinker usage in the production of cement through the increase in the use of additives at Lafarge Malayan Cement Berhad (LMCB) (1933)

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 1933 "Reduction in clinker usage in the production of cement through the increase in the use of additives at Lafarge Malayan Cement Berhad (LMCB)", and we would like to provide the following response to the issues raised by these requests for review.

1. As per the applicable methodology, the evidence to demonstrate additionality should be "substantiated through independent surveys and stakeholder interviews", further evidence is required to determine that the barriers presented are specific to the increase in blending rates achievable in the baseline. In assessing this evidence it should be taken into consideration that Lafarge is an international operating company with broad experience in increasing additives in its cement blends.

In addition, claiming barriers while a reduction of clinker will also result in cost savings raises questions about the credibility of the barriers.

Finally, the project activity is claimed to be the first-of-its-kind in Malaysia, however, this has not been substantiated with evidence as required by the applicable methodology.

DNV Response:

We refer to the response by the project participant on the demonstration of additionality, and in particular to the explanations given why the barriers presented are specific to the increase of blending rates achievable in the baseline and how the cement products developed as part of the project activity can be considered first of its kind in Malaysia.

The barriers to the the increase of the share of additives have been substantiated with various documented evidence, including documents on discussions with cement purchasers and a log of complaints (Annex 7) received on the cement products developed as part of the project activity. The complaints were considered as input by independent stakeholders.

The continuous and substantial Research & Development (R&D) works, lab and production trials being carried out involving existing clients have also been deemed acceptable as stakeholder interviews, as the evaluation and follow-up require input from the users of these trials.

As no investment analysis was chosen, DNV did not in detail assess any cost saving resulting from the project. Nonetheless, the information provided by the project participants shows that there are not any substantial cost savings that would question the barriers.

While DNV acknowledges that Lafarge is an international operating company with experience in increasing additives in its cement blends, DNV assessed whether it is likely that Lafarge would implement the project in Malaysia in absence of CDM benefits. Given the barriers the project faces and that there are no other incentives to implement the project in Malaysia, we considered that the implementation of the project in absence of CDM benefits is not a likely baseline scenario.

2. The start date of project activity should be as per CDM Glossary of Terms. The DOE is requested to clarify the following inconsistency in project activity start date as stated in the PDD and the validation report: The PDD (p31) refers the project start date of 14 June 2006 as the date when the EPCC contractor selection for Tanjung Bin PFA handling facility tender sign was done, however, the VR (p13) refers this date as date when the signing of PFA (Pulverized Fly Ash) supply agreement was done. In addition, the PP Annual Report 2006 (p13) mentions that in 2005 we secured a long term contract with Tanjung Bin power plant for their exclusive supply of all their fly ash production.

DNV Response:

In accordance with the CDM Glossary of terms, it is deemed appropriate that the tender signing for the Tanjung Bin PFA handling facility is considered the starting date of the project.

The fly ash supply agreement was indeed made in 2005. However, this agreement does not represent a commitment to significant expenditures related to the implementation of the project activity and is thus not deemed appropriate to be considered as the starting date of the project activity. The validation report will be corrected to be consistent with the PDD.

3. The DOE is requested to substantiate the appropriateness of the benchmark clinker content of 86.35% for a plant (Rawang) that has historically lower percentages of clinker than the baseline value used.

The lowest baseline was demonstrated and selected appropriately, in accordance with the methodology ACM0005 (version 03). Clinker contents of blended cements produced by other manufacturers taken from C&CA's (Cement and Concrete Association of Malaysia) audited cement production report for 2004. Since no data was available for the years 2003 and 2005, internal figures were used instead for these two years.

The resulting baseline, 86.35% was also the lower of the other two options, and hence was deemed acceptable. Hence, the 86.35% was accepted as combined baseline for both plants, considering that it is lower than the historic percentage of clinker at the Rawang plant. However, we acknowledge that the use of plant specific baselines would result in less emission reduction.

We sincerely hope that the Board accepts our above explanations.

Yours faithfully
for DET NORSKE VERITAS CERTIFICATION AS



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