Mr. Hans Jürgen Stehr
Chair, CDM Executive Board
UNFCCC Secretariat
CDMinfo@unfccc.int

16 March 2007

Re Request for review for: "Use of blast furnace slag in the production of blended cement at Votorantim Cimentos" (0754)

Dear Mr. Stehr,

SGS has been informed that the request for registration for the CDM project activity "Use of blast furnace slag in the production of blended cement at Votorantim Cimentos" (Ref. no. 0754), is under consideration for review because four requests for review have been received from members of the Board.

SGS would like to provide an initial response to the concerns raised by the request for review:

Request for review:
1) "Being a signatory to the "Cement Sustainability Initiative" as such is not enough to claim additionality under step 0 of the Additionality Tool (AT). More substantiated evidence should demonstrate that CDM was seriously considered in the decision to proceed with this specific project activity".

Clarification by SGS
During the validation process, the following evidence that the incentive from the CDM was seriously considered in the decision to proceed with the project activity was reviewed. Documented evidence is attached to this document.

- The validation team confirmed that Votorantim is a participating member of the Cement Sustainability Initiative - CSI, this information is publicly available at http://www.wbcsdcement.org/participants.asp.

- It was also confirmed that CSI was a member-sponsored program of the World Business Council for Sustainable Development - WBCSD. Information publicly available at http://www.wbcsd.org/templates/TemplateWBCSD1/layout.asp?type=p&MenuId=NzU&doOpen=1&ClickMenu=LeftMenu

- It was evidenced that CSI organized a working group meeting in June 5, 2000. This meeting was carried out in Geneva, where CDM was discussed by the group. The meeting notes (Annex 2) mentioned that:

> "*The work on climate change mitigation (Substudy 3.1) needs to include Joint Implementation (JI) as well as trading and Clean Development Mechanisms (CDM). Again, a group at WBCSD is very active in this area and has a project going with World Resources Institute (WRI) called the Greenhouse Gas Initiative, which is geared toward establishing standard approaches for measurement and accounting in this area. We should take advantage of this work, and not re-invent it."*

- It was evidenced that a Votorantim representative (Mr. Rocha, J. C. M) attended this meeting in Geneva, as registered in the meeting attendance sheet (Annex 1 and 3).
- Mr. Rocha reported to the Environmental team the results from the meeting. With the information about the CDM project undergoing in WRI, Votorantim started to consider CDM registration in all GHG reduction programs undergoing in Votorantim. This was confirmed by interviews with the responsible personnel.

Request for review:
2) *Many of the barriers claimed at step 3 of the AT are not convincing or lack any substantiation. The VR indicates that barriers 3, 4, 5 and 7 are the most important. However barrier 3 is not sufficiently substantiated (which adaptations to the process and why are they a serious barrier?) and the nature of barriers 4 and 5 remain unclear, since these barriers are considered very common for large industries. Also any third party evidence to justify the presented arguments is lacking.*

Clarification by SGS
Seven barriers were identified, covering investments and technological barriers. As described in the validation report, SGS considered barriers 3, 4 and 5 as the main barriers for this project. The data and evidence presented during the validation for each of these barriers is discussed below:

Barrier 3 (Research Effort):

It was verified that Votorantim Cimentos had to develop substantial research effort to enable the increase in blending. It comprised:

- Adaptations in the process, which was also confirmed on-site during the validation process;
- Improvement of quality assurance and quality control procedures, as new raw material and final product were included in the production chain with necessity of new quality tests, new controls and equipment.

The following set of technical papers and reports of tests were presented by Votorantim in order to evidence that the project owner commissioned several studies on cement plus slag, its applications and its behavior. All studies mentioned in the Table 1 were performed by a third party - the Brazilian Portland Cement Association (see details in Annex 4).

Table 1 – List of Documents about slag cement research

Name of Document	Date of document	Type of document	Performed Date
ABCP Relatório de Ensaio 17697-2001	2001 May 23	Report of the Study of Evaluation of slag addition in different types of cement and its effects in cement properties	Starting date: 2001 Mar 14
ABCP Relatório de Ensaio 19452 – 2001	2002 Feb 18	Report of Study on Cement using steel slag in different %, and properties studies of blast furnace slag and steel slag.	Starting date: 2001 Nov 07
ABCP Relatório de Ensaio 21255 -2002	2002 Dec 02	Report of the Study Steel Slag in the production of Portland Cement	From 2002 Mar 02 to 2002 Oct 22
ABCP Relatório de Ensaio 21255/2 –	2002 Dec 02	Report 2 of the Study Steel Slag in the production of Portland Cement	From 2002 Mar 02 to 2002 Oct 22

2001			
ABCP Relatório de Ensaio 22415 -2002	2002 Dec 02	Report of the Study comparing 2 types of slag as additives to Portland Cement	From 2002 Mar 02 to 2002 Oct 22
ABCP Relatório de Ensaio 23828 - 2002-2003	2003 Apr 16	Report of the Study for improve on initial performance of the blast furnace slag containing cement	From 2002 Oct 28 to 2003 Feb 26
ABCP Relatório de Ensaio 24833 - 2003	2003 Jun 21	Report of the Characterization of slag cement	Started 2003 Jun 03

Barrier 4 (Logistics for additives supplying):

The use of additives in a reliable and continuous manner required the development and control of a new supply chain in the process involving different sites and suppliers, as presented in the Figure 1 (also presented in the PDD).
This logistic scheme presented in the PDD was confirmed on-site. A local assessor visited two cement plants (Santa Helena and Santo do Pirapora plants) included in the project activity. The visited was carried out in November 2005 and details of the site audit were recorded on the local checklist, which is part of the Validation Report.

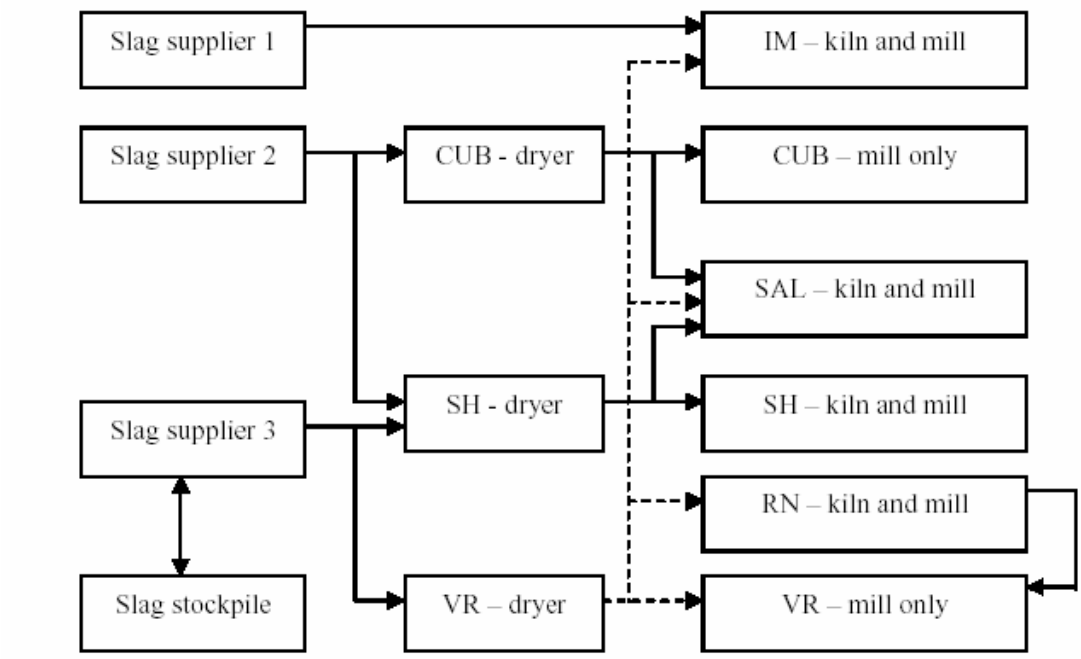

Figure 1: Integrated logistics of blast furnace slag

The following information was reviewed on-site:

Increase in transportation demand

- Comparing with the baseline years (1998-2000), it was confirmed that the slag consumption increased more than 50% in 2001. It increased the transport of slag. Transport records (distances between the slag suppliers and the plants and number of round-trips and trucks) were verified on-site and evidenced the increasing of transportation demand from the project activity.

- This transport demand has been supplied by contracting of independent vehicles. For this kind of independent vehicles, there is no fixed price to the transport service and variation on truck hiring price is common (it is a common practice in Brazil), causing a negative impact on the slag transportation cost.

All costs/expenses of the company (including purchasing of slag, contract of transport etc) are covered by formal contracts and invoices. The financial data of the company are audited annually by a third party.

Barrier 5 (Lack of infrastructure):
The use of additives in a reliable and continuous manner required that new infrastructure was installed in some of the plants involved in the Votorantim project activity.

During the site visit carried out in November 2005 (Santa Helena - SH and Salto de Pirapora - SAL plants), the local assessor visited the installations and confirmed the investments and changes in the process required to implement the project activity. For example:

- Installation of a new dryer of slag in SH in October/2003 (installation of the dryer and field instruments; verification of the documents related to the contract of services for installation of the equipment);
- Installation of two new mills in SAL, Mill#Z7 in September/2000 and Mill#Z8 in July/2003 (installation of the mills, field instruments and auxiliary equipment);
- Contract between Votorantim and slag suppliers (CST and COSIPA).

Investments and logistic changes in the other sites not visited were verified by document review (internal plan of actions, investments sheets, invoices of contractors for the installation of the project). The complete list of materials, equipment and manpower involved in the project, and their respective costs, was presented in the Annex 5, spreadsheet "*Itens maior custo Z8 e Secagem escória.xls".*

Request for review:
3) *The argumentation for the Common practices (no access to information) is not acceptable; the common practice check should be more elaborated and substantiated*

Clarification by SGS
General data used for this discussion was obtained from a third party report, the Sindicato Nacional da Indústria de Cimento (Brazilian National Cement Industries Trade Union) Annual Report 2005, available at http://www.snic.org.br/25set1024/index.html.

We hope that this information addresses the concerns of the Board and apologize if this was not sufficiently clear from the validation report.

Fabian Gonçalves (+55 11 5504 8887) will be the contact person for the review process and is available to address questions from the Board during the consideration of the review in case the Executive Board wishes

Yours sincerely

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Annexes:
Annex 1 Overview of WGC members
Annex 2 WGC meeting notes
Annex 3 Attendees WGC meeting
Annex 4 Technical studies performed
Annex 5 List of materials, equipment and manpower involved in the project