Mr. Hans Jürgen Stehr
Chair, CDM Executive Board
UNFCCC Secretariat
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10th April 2007

Ref.: Request for review of the request for registration for the CDM project activity "Production of blended cement with Blast Furnace Slag at Cimento Mizu (0854)".

Dear Mr. Stehr,

SGS has been informed that the request for registration for the CDM project activity "Production of blended cement with Blast Furnace Slag at Cimento Mizu" (Ref. no. 0854), is under consideration for review because five requests for review have been received from members of the Board.

Through this letter we would like to comment on the reasons for review and provide additional information. The requests for review read as follows:

Request for review 1:
Benchmark analysis for best 20%: As the cement type CP III can contain between 35 and 70% of additives (p. 9 of PDD), how can the project developers substantiate that the average additive content of CP III is 35% (as used on p. 50 for the baseline calculation)? The same problem applies for cement type II E (p. 9 specifies 6-34%) This is clearly not conservative. Unless they can provide independent evidence that the average share of additives is lower, 70% of additives have to be used for CP III and 34% for CP II E. The benchmark has to be recalculated accordingly, reducing clinker share from 0.71 to 0.41. (A presentation by Cimento Mizu at the Latin American Carbon Forum in Quito in March 2006 gives an average blending rate for CP III of 60% and 34% for CP II E)

Benchmark analysis 5 highest blending plants: The project developers do not provide the blending share for each of the 5 highest plants, but only a "black box" average figure. The blending share for each plant in the list has to be provided. I also do not understand how the blending share of the five highest blenders is lower than the average blending share derived if one uses the numbers for CP III and CP II E provided at the top of p. 51 and the shares of CP III and CP II E cement in production listed on p. 50 of the PDD.

Response SGS:
Unfortunately there is a mistake in the year chosen to calculate the five highest blending plants. Data from 2001 were used, and not from 2004 which is the baseline year. The benchmark has been recalculated. Please refer to the "Mizu-CERs-2007.04.02.xls" worksheet attached. The project has chosen 35% because this is the value used in the market and in the 5 highest brands and top 20% of the market.

The blending share for the top five brands provided is not by plant, but by brand and manufacturer. The same brand can be produced in different plants with different shares.
As verified during the on-site visit it is more expensive to produce blended cement using slag. In case the share of slag increases, the costs consequently increase too.
CP III is not common practice in Brazil, and cement manufacturer decides to produce CP III when additive share is exceeding the CP II regulatory limits.

In the five highest brands, the second highest brand manufacturer is requesting CDM registration for the substitution of CP II to CP III, a project activity which started in 2001. For this reason, this manufacturer was excluded from the top five brands and included in the 6th highest brand.
These alterations result in a change in the benchmark share of clinker. Please see the new CER calculation spreadsheet "Mizu-CERs-2007.04.02.xls" attached.

Request for review 2-5:
Only a couple of lines (9 in total) of text explain/claim two barriers, without any further substantiation; this is unacceptable. Moreover claiming an increase of production costs as barrier is not sufficient without presenting data on the cost savings of reducing the amount of clinker.
Barrier 1: development of 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.
Barrier 2: the use of slag increases the production costs of the blended cement because it adds news steps in the production chain, its availability and quality depends on third parties, the maintenance costs increase due to difference in equipment operations, and the performance of the installation decreases (productivity decreases). Also the milling of slag increase production costs because it is harder than clinker requiring more energy in the mills and slag is more abrasive and corrosive than clinker incurring in greater maintenance costs.

Only a brief text describes/claim two barriers, without any further substantiation.
Moreover claiming an increase of production costs as barrier is not sufficient without presenting data on the cost savings of reducing the amount of clinker.

Response SGS:
Barrier analysis was used for identifying the most plausible scenario among all realistic and credible alternatives to the project activity. Two barriers were identified as the strongest barriers, covering operational and logistics for additives supplying barrier.
The addition of the blast furnace slag in the process represents a new step that is not necessary when using only clinker.
One additional step is drying the slag, it is necessary to reduce the humidity. Because of that a dryer was installed in the process, which was also confirmed on-site during the validation process.
It was verified during site visit that the use of the slag requires additional controls before using it in the cement production. Improvement of quality assurance and control procedures, as new raw material was included in the production chain with necessity of new quality tests, new controls and equipment.
The use of additives in a reliable and continuous manner required the development and control of a supply chain in the process involving different suppliers, as verified during site visit, the main suppliers are CSN and Cosipa (located in another state).

During site visit carried out in March 2006, the local assessors visited the installations and confirmed by document review, interviews and direct observation the changes, equipments and procedures in the process required to implement the project activity.

References consulted regarding barriers:

Controle Operacional Moagem de Cimento, March 2006. Operational control of the cement production.
Invoice 997759, 31/08/2004. Scale for slag weighing – purchasing document.
Calibration certificate, 30/01/2006. Certificate for the meter.
Procedure IT 003 rev00, 13/03/2006. Calibration procedure.
Procedure P9001 rev00, 10/11/2005. Procedure to control equipments, inspection, measurement.
Procedure P70051 rev 00, 07/12/2005 and 07/04/2005. Operation procedure for dryer and for the cement mill.
Contract between Votorantim and CSN. Blast furnace slag supplier.
Contract between Votorantim and Cosipa. Blast furnace slag supplier.

Request for review 2-5:
The common practice check is just surpassed by claiming:
Project proponents do not have access to information about any other activity implemented previously or currently underway that is similar to the proposed project activity, except for the projects under Votorantim Cimentos which owns Cimento Mizu.
Since Votorantim covers 40% market share in Brazil and owns cement plants in the US and Canada and is a member of SNIC, the National Brazilian Syndicat of the Cement industry in Brazil, to which all large cement producers (Holcim, Lafarge, Cimpor etc) are a member, it is not clear why no more information would be available.

Response SGS:
The other plants owned by Votorantim Cimentos do not have similar activities to the proposed project, except for the project under Votorantim Cimentos.
In spite of Votorantim being a member of SNIC, to which all large cement producers are a member, the information about other producers is not publicly available. More information was provided about the market share of each cement type (available at http://www.snic.org.br/25set1024/index.html). The cement types that permit high additive shares, have low participation in the overall national market.
The information from Votorantim cement plants in the US and Canada could not be used because the "Tool" require to consider only similar activities if they are in the same country/region.

If you require further information, Fabian Goncalves (+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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