



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

15<sup>th</sup> May 2007

Ref.: Request for review of the request for registration for the CDM project activity "Atiaia – Buriti Small Hydropower Plant (0891)".

Dear Mr. Stehr,

SGS has been informed that the request for registration for the CDM project activity "Atiaia – Buriti Small Hydropower Plant" (Ref. no. 0891), is under consideration for review because three 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 1-3:**

*"It is not clearly stated in VR what barriers are relevant to justify project additionality. There is a lack of concrete information related to the barriers that the project activity faces and whole judgment is constructed based on general statements. The infrastructural and institutional barriers should be better developed and concrete barriers to the project should be clearly specified."*

**Response SGS:**

As verified during the site visit the project activity is facing the following main barriers:

Infrastructural barrier: Lack of infrastructure made construction time substantially longer when compared to a similar project developed in a different region with better infrastructure. The project is located in a non-developed region of the State of Mato Grosso do Sul; far from Campo Grande (State Capital). Mato Grosso do Sul is a state which faces infrastructural problems such as lack of roads. Roads had to be built especially for this project.

Institutional barrier:

It's important to stress that small hydro plants in Brazil are not common practice, and new small hydro plants are using the CDM mechanism to overcome this institutional barrier.

The volatility of the electricity prices in Brazil hamper project development.

The alternative could be to invest in the financial market where this problem is not faced, and do not prevent this alternative.

According to ANEEL (National Electricity Agency) the small hydro power plants represent less than 1.5% of the total electricity generated in the country at the moment of project development. The majority of the authorization issued from government over the past years is

SGS United Kingdom Ltd | SGS House, 217-221 London Road, Camberley, Surrey GU15 3EY | Tel +44 (0)1276 697877 | Fax +44 (0)1276 691155

www.sgs.com

Registered in England No. 1193985 | Rossmore Business Park, Ellesmere Port, Cheshire CH65 3EN

Member of SGS Group (Société Générale de Surveillance)

for thermoelectric plants, so this represents more fossil fuel plants in the Brazilian electricity grid.

It is common practice in Brazil to build large hydro plants and, more recently, thermal power plants. Government electricity market policies in Brazil have been changing over the past years.

We apologize that the validation report has been considered unclear on the issue of additionality. We will send you a revised validation report with a more detailed description of the assessment of additionality after clearance with the Brazilian DNA since the LoA is conditional on the date and issue of the validation report. Thank you for your understanding.

**Request for review 1-3:**

*“The PDD is overloaded with formulas but is in lack of initial basic data requested by formulas, the appropriate inputs to calculation. In addition, calculations are not provided but only final results.”*

**Response SGS:**

The PDD presents the formulas as required in the methodology ACM0002. The values used to calculate the baseline emissions factor are presented in the section E and Annex 3 of the PDD.

The complete data, formulas and values were provided in additional documents (spreadsheets “Emission Factor” and “Geração estimada credits carbono Buriti”).

**Request for review 1-3:**

*“Section B.5 of the PDD is not appropriately filled up. Details of baseline information are not given in this section and only the date of completion of the baseline study and the name of person determining the baseline is presented. Also, in VR and in the baseline information sections of the PDD it is not clearly stated (in fact, not stated at all) whether the EF is fixed ex-ante or calculated ex-post.”*

**Response SGS:**

According to the PDD guidelines, the information to be presented in the section B.5 is: date of completion of the application of the methodology to the project activity study in *DD/MM/YYYY*, contact information of the persons(s)/entity(ies) responsible for the application of the baseline and monitoring methodology to the project activity and indicate if the person/entity is also a project participant listed in Annex 1.

The PDD guidelines were correctly applied in section B.5 of the PDD sent for registration.

The PDD and Validation Report did not clearly describe the fact that the EF has been calculated “ex-ante”, and we apologize for this error. We will adjust the validation report as per our comment above.

By providing answers to all your queries, SGS hopes that the project will be approved for registration at the next EB meeting.

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



Robert Dornau  
Director, Climate Change Program  
Robert.dornau@sgs.com  
T: +41 22 739 92 54  
M: +41 79 689 22 42

Marco van der Linden  
CDM Technical Manager  
Marco.vanderlinden@sgs.com  
T: +31 181 693293  
M: +31 651 345590