

Statement on the CDM Executive Boards request for review regarding the CER issuance request from the first periodic verification of the registered CDM project “1314 - Switching of fuel from coal to palm oil mill biomass waste residues at Industrial de Oleaginosas Americanas S.A. (INOLASA)”

1. The DOE stated that at the beginning as well as at the end of the monitoring period the boiler was not operational due to shortage of biomass. Clarification is required how the requirement of monitoring of surplus biomass as per the Board’s General guidance on leakage in biomass project activities has been met and how the current monitoring plan complies with this requirement.

As well during validation as during the first periodic verification the DOEs could confirm that the biomass supply chain of the INOLASA project is a closed system. 100% of the biomass is supplied by Palma Ticas Palm Oil Mills Coto, Palo Seco and Naranjo of which INOLASA is an affiliate company. Through the respective supply contracts it is ensured that only surplus biomass is sold to INOLASA. Furthermore the three palm oil mills have not purchased any biomass from the market. A series of efficiency measures were initiated in parallel with the INOLASA project in order to make available biomass for INOLASAs operations and to secure that indeed the surplus would cover the total demand. Unfortunately, Palma Tica was not able to implement all measures in the foreseen time frame. The measures implemented until 2007 include:

- In late 2005 the Coto mill acquired a new 35 MT steam/hr at 30 bar biomass boiler. Coto is the biggest of the three mills and through the increased efficiency of the new boiler the vast amount of palm kernel shells (PKS) for INOLASA is made available. Due to continuing production process improvements and tuning of the boiler the quantity of PKS supplied by Coto will increase further.
- In early 2007 Naranjo installed a steam economizer and an air pre-heater and moved its biomass boiler. These measures allow the generation of a permanent surplus of PKS.

Further measures include:

- In early 2008 Palo Seco installed a steam economizer and an air pre-heater and moved its biomass boiler. These measures allow the generation of a permanent surplus of PKS.
- An empty fruit bunch (EFB) pre-treatment plant is under construction and going to be commissioned in mid 2008 at Palo Seco. The purpose is to prepare currently unused EFB from Palo Seco to be transported and to be fired in INOLASAs boiler.

As can be seen, the implementation of some of the measures is still on going and is expected to be finalized by mid 2008. Only by then the project will be fully operational. In other words, involuntarily the start up phase of the project has been extended to almost a year.

2. The DOE noted that there was no co-incineration with coal and the steam production was ensured by the bunker fuelled boilers. However, the PDD states that the project activity will replace the three bunker boilers. Further clarification is required.

Indeed the biomass boiler replaces the bunker boilers as main source of steam for INOLASAs processes. On the other hand the PDD also states that the bunker boilers will be kept and may be used for maintenance and emergency situations. Anyway, both systems are completely separated and only steam generated by the biomass boiler is taken into account to calculate emission reductions.

As described above the shortage of biomass was not expected. When biomass became short in the fourth quarter of 2007, INOLASA was not prepared for this situation. No coal was co-incinerated because the co-incineration of coal is only seen as a mid term option. INOLASA has not exercised this option as it acted in good faith that efficiency measures to free biomass would be concluded in time. Consequently, it had to use the back-up bunker boilers for unexpectedly large periods in December 2007.