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Attn: CDM Executive Board

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CDM Ref 0168	MLEH/ETEL	3 April 2007

Response to request for review
"BK Energia Itacoatiara Project" (0168)

Dear Members of the CDM Executive Board,

We refer to the requests for review raised by three Board members concerning DNV's request for issuance of CERs for the "BK Energia Itacoatiara Project" (0168)" for the monitoring period 01 May 2006 - 31 Dec 2006. We would like to herewith provide the following initial response to the issues raised by the requests for review.

Comment 1:

Since the claim for CERs from methane avoidance component based on very controversial assumption in that there is no market available for fuel wood and hence entire fuel wood coming out of the sawmill would be left for decaying. The DOE is expected to independently verify this assumption. Without such verification, the claim for CERs from methane avoidance may not be valid.

DNV Response:

This comment relates to the baseline of the project which assumes that the wood waste used by the project would be left for decay. The baseline has been validated by TÜV Süd (please refer to TÜV Süd's validation report dated 15 March 2006) and the project was registered applying the baseline that wood waste collected from the sawmill operation would be left for decay and would emit methane. Since the monitoring plan of the registered PDD does not require monitoring and verification of this baseline assumption, DNV did not verify this assumption. It is our understanding that this baseline assumption is valid for the first 7 years crediting period and will only have to be reassessed at the renewal of the crediting period.

In this context, DNV would like to highlight that while more recent versions of AMS-III.E require that "project participants will demonstrate annually that the amount of waste combusted in the project activity facilities would have been disposed in a solid waste disposal site without methane recovery in the absence of the project activity", this requirement is not included in version 06 of AMS-III.E, on which the project registered was based.

Comment 2:

According to the monitoring plan (please see monitoring data items D.3-2 and D.3-3 in Page 21 in the PDD), the project should have been used fuel wood from the existing stockpiles. But instead of doing so, the project used fresh biomass and is still claiming for CERs through methane avoidance.

DNV Response:

In accordance with the monitoring plan in the validated and registered PDD, the project participants monitored the amount of wood chips consumed at the project activity, a) collected from the sawmill operation, b) collected in open field stockpiles and c) collected from clearing the roads. Avoidance of methane emissions is only claimed for wood waste collected from the sawmill operation (as indicated in the monitoring report). This is in accordance with the requirements of TÜV Süd's validation* of the project and the guidance given by the Board at its 23rd meeting.

The wood waste collected from the sawmill operation is fresh wood waste which in absence of the project would be left for decay and would emit methane. It is thus appropriate and in accordance with AMS-III.E to claim CERs through methane avoidance for this wood waste. It must be noted here that it would not be appropriate to claim methane avoidance from wood waste collected from stockpiles, as this wood waste has already partly been decayed and has emitted methane also in the project scenario (the project only claims methane avoidance from fresh wood waste collected from sawmill operations).

Comment 3:

The monitoring report shows (Page 13, Monitoring Report) that fresh wood logs supplied by PWA (9,667 metric tons) are also used in the power plant. The fresh wood logs are not bi-products of the sawmill operations, these are rather collected from the forest during logging. Logging can not be considered as component of sawmill operation as it occurs beyond the project boundary (or outside sawmill compound).

The DOE is expected to ask clarifications to the project participant on this issue, but has not done so.

DNV Response:

The logs supplied by PWA are not collected from the forest during logging but are a residual product of the sawmill operations. As indicated by the project participant and as verified by DNV, the logs supplied from PWA are logs that had been harvested and brought to the log yard of PWA with the purpose of processing them in the saw mill. However, after revising its roundwood inventory PWA for different reasons came to the conclusion that these logs could not be processed to commercially viable products. They were written off and sold to BKE as fuel wood.

Hence, it is in DNV' opinion appropriate to consider that these as wood waste from the sawmill operations that would be left for decay in absence of the project activity.

We sincerely hope that the Board accepts our aforementioned explanations.

Yours faithfully
for DET NORSKE VERITAS CERTIFICATION AS

Einar Telnes
Director
International Climate Change Service

Michael Lehmann
Technical Director

* See pg 12 of TÜV Süd's validation report: "As mentioned above the project claims CERs from the avoidance of methane. A conservative approach means to consider only wood, which really would emit methane. The biomass power plant gets from different sources wood. One source comes from sawmill being real wood waste from the process, second is wood waste from the old disposals and the third part is wood collected along the roads, which is done by the power plant operator."