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CDM Executive Board



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	IS-CMS-MUC/Mu Javier Castro	+49 89 5791-2686 javier.castro@tuev-sued.de	+49 89 5791-2756	2007-12-18	1 of 3

Response to Request for Review

Dear Sirs,

Please find below the response to the request for review for the CDM project number 1298. In case you have any further inquiries please let us know as we kindly assist you.

Yours sincerely,

Javier Castro
Carbon Management Service

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Response to the CDM Executive Board

Question:

Further justification is required to demonstrate additionality, in particular:

(a) the investment barriers, as the letter issued by the bank is dated March 2007, while the project was conceived in 2005, and

Response by TÜV SÜD:

The additionality has been validated based on the actual situation of the project under the political situation of the Host Country as of the time when the decision regarding the project implementation was made. It is worth mentioning that the political situation has not improved at all; on the contrary, it has worsened, adding more instability. Therefore, all facts used to show additionality are still valid and even stronger (reference "Fitch rating").

The project participant presented several barriers that were clearly justified by the evidence presented.

Regarding the investment barrier, the project developers saw themselves facing a bank situation in Ecuador that resulted (and still results) in difficulties for the project to obtain a credit under reasonable conditions to complete the implementation of the project. Being aware of the financing problems and the fact that it is not possible to rely on Ecuador's banking infrastructure, the project participants started the project construction trusting that the revenues to be obtained through the CDM would help mitigate risks and therefore minimize potential negative impacts on the project that could prevent the project successful implementation. Due to the knowledge of the investment situation for industrial projects in the host country, the validation team confirms the barriers for such activities also considering that there has been no essential and positive change on the economic conditions during the previous years. In addition, the project developers even started using their own capital in the project before having secured the credit from the bank, with the intention of increasing the confidence of the bank towards the project. It was also expected that the project would be registered by this time, thus allowing the bank to grant the credit under economically improved conditions. Therefore the letter of the bank dated on March 2007 represents the point in time where the money from the bank was officially requested. Hence there should be no confusion regarding the time consistency of this evidence, as the above-mentioned letter actually emphasizes the presented barrier, clearly demonstrating that the mentioned bank is not willing to provide the credit under the pre-negotiated terms, not even considering the project's advanced status and the fact that it is being developed as a CDM project activity.

Question:

(b) validation of the institutional barrier.

Response by TÜV SÜD:

Regarding the institutional barriers, the documents attached clearly show the long-lasting process to obtain a permit. It is clearly shown that the project participant submitted an interconnection permit request in 2004. The intention of the project participants has been to take the deci-



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sion of the realization of the project after obtaining the permit. As a consequence of the long waiting time, a decision to start the project was taken, hoping that a CDM registration might be supportive for getting the required permit. The answer from the responsible institution arrived almost 2 years later showing that the institutional barrier is real and demonstrated through the attached documents.