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CDM Executive Board



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	IS-CMS-MUC/Ca Javier Castro	+49 89 5791-2686 Javier.Castro@tuev-sued.de	+49 89 5791-2756	2008-11-06	1 of 2

Request for Review

Dear Sirs,

Please find below the response to the request for review formulated for the CDM project with the **registration number 1899**. In case you have any further inquiries please let us know as we kindly assist you.

Yours sincerely,

Javier Castro
Carbon Management Service



Response to the CDM Executive Board

Issue: *The PP/ DOE shall clarify if they intend to add a renewable energy component or equipment during the lifetime of the project activity. If the answer is yes, then PP/ DOE is requested to demonstrate additionality by including the impact of the addition of the renewable energy component or equipment. If the answer is no, then PP/DOE is requested to remove the statement, related to the addition of the renewable energy component or equipment, on the page 29 of the PDD.*

Response by the Project Participant

The Project Participants have revised the PDD to state that the facility owner intends to exercise the option to add a renewable energy component during the life of the project. The decision to implement this option rests solely with the facility owner. Implementing this project without the assistance of CDM does not provide the positive economic returns to justify or even partially offset the expenses. Even the use of biogas produced as a source of renewable energy does not provide a sufficient savings to justify its implementation. In order to demonstrate additionality with this option included, the Project Participants have provided the DOE with a financial analysis, including IRR, for validation. The revenue associated with RE on the IRR is actually cost avoidance from offsetting the use of diesel at the facility and any benefits thereof accrue to the site owner and not the Project Participants.

Response by TÜV SÜD

The Project Participants (PT AES AgriVerde Indonesia and AES AgriVerde Ltd) clearly state in the PDD that solely the facility owner can decide or not to connect the renewable energy component to the project activity of recovering and flaring methane during the lifetime of this project. For the implementation of generating renewable energy no credits will be requested. The attached financial analysis including an IRR calculation demonstrated that even including the income due to saving of diesel on the electricity production the project is not feasible without CDM.

In case the intension of connecting a renewable energy component to the current proposed project activity would be realized by the mill owner AES AgriVerde would only provide the necessary equipments to guarantee a sustainable operation of combusting the methane gas recovered. This option is also covered by the monitoring plan. Due to this renewable energy activity the only revenues for AES AgriVerde would be a benefit of costs saving for electricity or heat generation that will remain at the mill owner due to the verified contracts. Selling the biogas recovered, the electricity generated by the mill owner or participating in cost reductions from reduced fuel costs at the palm oil mill is not part of AES AgriVerdes business model as evidenced by the contract between the PPs and the mill operator, nevertheless the IRR does include as income this revenue. Hence there are no doubts on the additionality of the project.