Quito 11th of October 2011

Martin Hession
Chair of the CDM Executive Board
UNFCCC secretariat
Haus Carstanjen
Martin-Luther-King-Strasse 8
53175 Bonn
Germany

Subject: Consideration of your request for review case PA 4722

The Ministry for Petroleum and Mining sector has put great emphasis over the past couple of years on changing oil companies’ practices for handling associated gas. This was driven by the fact that in Ecuador oil companies have been flaring this “waste product” for over 30 years. Recently, our attention has focused on the project “Optimización Generación Eléctrica - OGE” developed by PETROAMAZONAS EP (CDM reference 4722). This being the first major flare reduction project in Ecuador, it will serve the sector more broadly in announcing the start of a new approach to associated gas flare reduction and oil sector energy efficiency improvement through a close interaction with carbon markets and the Clean Development Mechanism in particular. CDM is the only operating mechanism that allows projects in our oil industry to deliver large quantities of high quality emission reductions ensuring environmental integrity, high level of transparency and civil society participation throughout the process.

Against this background, the Ministry has closely followed the registration process of the PETROAMAZONAS EP project. I have personally taken special note of the review questions and the subsequent answers being supplied by the project participants and would like to take the opportunity to raise your attention to the following shortcomings in the applied procedures:

- First, the questions raised in the RfR give the impression that the documentation has not been read carefully enough by the assessment team members since the answers to the indicated questions are clearly outlined in the PDD and the Validation Report. Second, it appears that the assessment team members lack competence and understanding of the local and sectoral circumstances. Third, there appears to be mistrust against the DOE’s assessment since, by means of the Validation Report, they clearly substantiated and validated that the project complies with all CDM rules. Any mistrust should be taken up by the accreditation processes and not during the registration processes since this generates considerable unnecessary delays and additional costs to the project participants.
We therefore request for you to instruct the secretariat to make sure that any assessment team member undergoes a clear qualification process prior to being

allowed to make a judgment call as to whether to register or not the project since any decision based on unsubstantiated or inaccurate assessment will delay the projects' ability to secure CER funding for months.

- Given the nature of the inquiries in the RfR I believe that it further shows the urgent need to mandate an oral communication between the assessment team, the DOE and project participants before a review is raised because all the review questions could have been answered easily during a phone call (especially since the response to the RfR largely pointed to evidence that was supplied during the validation process). Every comparable procedure provides for both written and oral presentation of the case. Knowing your professional background as a lawyer, I trust you agree that the benefits of oral consultation besides written interaction are widely acknowledged in comparable constituencies.

I thus ask you to – in line with the CMP mandate from both Copenhagen and Cancun and paragraph 59b of Annex 15 of EB 62 to change the review procedure or instruct the secretariat accordingly so that no review is triggered without prior direct oral consultation with the DOE and project participants.

It is very unfortunate that the EB review of this project has been delayed by another month (slipping from EB 64, as announced first to project participants, to EB 65) because such last minute changes has generated a certain degree of uncertainty within my Ministry and with project stakeholders more broadly in the sector. This could erode the goodwill towards CDM created by this project and risk fading support for this mechanism in our sector. We would therefore very much appreciate if you could consider putting the project back on the agenda for EB 64.

I strongly believe the CDM is an excellent instrument for increasing energy efficiency in the oil sector and well worth preserving and strengthening during the upcoming negotiations.

I look forward to receiving your response

Best regards

Wilson Pastor M.
Minister of non Renewable Resources