

	CDM: FORM FOR SUBMISSION OF A “LETTER TO THE BOARD” (Version 01.2)
	<p>This form should be used only by project participants and other stakeholders for submitting a “Letter to the Board” in accordance with the latest version of the <i>Modalities and procedures for direct communication with stakeholders</i></p>
<i>Name of the stakeholder¹ submitting this form (individual/organization):</i>	Suez Cement Company S.A.E.
<i>Address and contact details of the individual submitting this form:</i>	Address: Km 30 - Maadi \ Ein Sokhna Road - Kattameya, Egypt Telephone number: +202 2522 2300 E-mail address: m.aymen@suezcem.com
<i>Title/Subject (give a short title or specify the subject of your submission)</i>	Effective Registration Date for CDM Project “Partial Fuel Switching to Agricultural Wastes & Refuse Derived Fuel (RDF) at Kattameya cement plant ”(Ref. no. 9001)
<i>Please mention whether the submitter of the form is:</i>	<input checked="" type="checkbox"/> Project participant <input type="checkbox"/> Other stakeholder, please specify
<i>Specify whether you want the letter to be treated as confidential²:</i>	<input type="checkbox"/> To be treated as confidential <input checked="" type="checkbox"/> To be publicly available (UNFCCC CDM web site)
<i>Please choose any of the type(s) below³ to describe the purpose of this submission.</i>	
<p><input checked="" type="checkbox"/> Type I:</p> <p style="margin-left: 40px;"> <input checked="" type="checkbox"/> Request for clarification <input type="checkbox"/> Revision of existing rules </p> <p style="margin-left: 80px;"> <input type="checkbox"/> Standards. Please specify reference <input checked="" type="checkbox"/> Procedures. Please specify reference "Clean Development Mechanism Project Cycle Procedure" (CDM-EB65-A32-PROC) <input type="checkbox"/> Guidance. Please specify reference <input type="checkbox"/> Forms. Please specify reference <input type="checkbox"/> Others. Please specify reference </p> <p><input type="checkbox"/> Type II: Request for Introduction of new rules</p> <p><input type="checkbox"/> Type III: Provision of information and suggestions on policy issues</p>	
<i>Please describe in detail the issue on which you request a response from the Board, including the exact reference source and version (if applicable).</i>	

¹ DNAs and DOEs shall use the respective DNA/DOE forms for communication with the Board.

² As per the applicable modalities and procedures, the Board may make its response publicly available.

³ Latest CDM regulatory documents and information are available at: <http://cdm.unfccc.int/Reference/index.html> .

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We would like to refer to the registered CDM Project "Partial Fuel Switching to Agricultural Wastes & Refuse Derived Fuel (RDF) at Kattameya cement plant "(Ref. no. 9001). A complete request for registration was made and the registration fees were received at the UNFCCC bank account on December 24, 2012. Later on, the project received a Request for Review from the CDM EB. A response was made accordingly by the DOE. The response only clarified some issues and did not include any changes to the validation report. Moreover, no additional documents were provided to the DOE by the Project Participants after the request for review. This was mentioned in the DOE's response to the request for review.

We would also like to refer to Paragraph 98 of the "Clean Development Mechanism Project Cycle Procedure" (CDM-EB65-A32-PROC) which states that: " If a Board's final decision made in accordance with paragraph 93 or 97 above is to register the proposed CDM project activity or PoA, the secretariat shall register it as a CDM project activity or PoA on the first working day subsequent to the finalization of the decision. The effective date of registration in such cases shall be the day on which the latest revisions to the validation report and/or supporting documentation were submitted."

The effective registration date of the project is currently June 03, 2013. As mentioned above, no changes were made to the validation report and no additional supporting documents were submitted to the DOE by the Project Proponents after December 24, 2012. Therefore, we kindly request the effective registration date of the project to be changed to December 24, 2012.

Please provide any specific suggestions or further information which would address the issue raised in the previous section, including the exact reference source and version (if applicable).

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"Clean Development Mechanism Project Cycle Procedure" (CDM-EB65-A32-PROC)

If necessary, list attached files containing relevant information (if any)

- Response to the Request for Review

Section below to be filled in by UNFCCC secretariat

Date when the form was received at UNFCCC secretariat	03 September 2013
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History of document

Version	Date	Nature of revision
01.2	08 February 2012	Editorial revision.
01.1	09 August 2011	Editorial revision.
01	04 August 2011	Initial publication date.
Decision Class: Regulatory Document Type: Form Business Function: Governance		



TÜV NORD CERT GmbH • P.O. Box 10 32 61 • 45032 Essen • Germany

TÜV NORD CERT GmbH

Langemarckstrasse 20
45141 Essen
Germany

Phone: +49 201 825-0
Fax: +49 201 825-2517

Info.tncert@tuev-nord.de
www.tuev-nord-cert.com

TÜV®

CDM Executive Board

Our / Your Reference

Contact
Rainer Winter
E-Mail: rwinter@tuev-nord.de

Direct Dial
Phone: -3329
Fax: -2139

Date
03.06.2013

Response to the Review of project "Partial Fuel Switching to Agricultural Wastes & Refuse Derived Fuel (RDF) at Kattameya cement plant " (Ref. no. 9001)

Dear Honourable Members of the CDM Executive Board,

Please find attached the response of TÜV NORD to the review of the above mentioned project No. 9001.

TUV NORD would like to confirm that this response contains only clarifications and no new material or documents has been submitted to us from the project proponent. Therefore, there was no need to make any changes in the validation report or the PDD. The project proponent would like to keep the registration date as per the date when the UNFCCC received the registration fee in its account.

If you have any questions do not hesitate to contact us.

Yours sincerely,

Rainer Winter
Head TÜV NORD JI/CDM Certification Program

Headquarters
TÜV NORD CERT GmbH
Langemarckstraße 20
45141 Essen
Phone: +49 201 825-0
Fax: +49 201 825-2517
info.tncert@tuev-nord.de
www.tuev-nord-cert.com

Director
Dipl.-Volksw. Ulf Theike
Deputy director
Dipl.-Ing. Wolfgang Wielpütz

Registration Office
Amtsgericht Essen
HRB 9976
VAT No.: DE 811389923
Tax No.: 111/5706/2193

Deutsche Bank AG, Essen
Bank Code: 360 700 50
Account No.: 0607895000
BIC (SWIFT-Code): DEUTDEDE
IBAN-Code: DE 26 3607 0050 0607 8950 00

Review Issue # 1	
Original text of the issue raised:	The DOE shall further validate the suitability of the input values used in the investment analysis, in particular the price of rice straw and the price of cotton stalk. In doing so, the DOE shall provide more information about how it has validated the nature of the offer letter dated on 27/09/2011, e.g. the provider of the offer letter. The DOE shall explain why a price was claimed for biomass residues considering that 1) the DOE has confirmed that the agri-biomass residues were not utilized in the absence of the project activity in the course of determining the baseline scenario; and 2) option L1 was used to demonstrate the leakage from the biomass residues. Option L1 can only be applied if there is no market for the biomass residues. Please refer to VVM version 1.2 paragraph 111. Please refer to VVM version 1.2 paragraph 111.
PP's Response	
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DOE's Response	
<p>I. Price of Rice Straw and Cotton Stalks</p> <p>The value of rice stalk was checked from the offer letter dated 27-09-2011 of Egyptian Company for Solid Waste Recycling (ECARU) and email dated 29-09-2011 of Engineering Task Group (ENTAG) of Egyptian Company for Solid Waste Recycling (ECARU) The prices (220 EGP/ton for Rice Straw and 360 EGP/ton for Cotton stalk) were confirmed to be valid and conservative by host country expert and CDM APU member present during the site visit. The prices were further crosschecked with registered UNFCCC CDM project number 3706 as mentioned in the validation report in annex 3, Table A3 on pages 113 & 114. In the registered project # 3706, it was found that the price for rice straw was 64.37 USD/ton (equivalent 450 EGP/ton) and the price for Cotton stalks was 60.13 USD/ton (equivalent EGP 420/ton) i.e. the prices used by the PPs are conservative. Hence, accepted by validation team.</p> <p>II. <u>Claim of Price for the Biomass:</u></p> <p>Issue # 1 Non-Utilization of the Biomass in the Absence of the Project Activity</p> <p>The DOE would like to clarify that the applied methodology ACM0003 ver. 7.4 is ONLY applicable in cases where the fate of any biomass residues is B1, B2 and/or B3. The following are the verbatim from the methodology:</p> <ul style="list-style-type: none"> • B1: The biomass residues are dumped or left to decay under mainly aerobic conditions. This applies, for example, to dumping and decay of biomass residues on fields • B2: The biomass residues are dumped or left to decay under clearly anaerobic conditions. This applies, for example, to deep landfills with more than 5 meters. This 	

- does not apply to biomass residues that are stock-piled or left to decay on fields
- B3: The biomass residues are burnt in an uncontrolled manner without utilizing them for energy purposes.

1. In all the 3 above mentioned scenarios, the biomass residues are not utilized in the baseline (point 1 raised above). However, this historically has never prevented claiming a value for biomass residues in the investment analysis for previously registered projects i.e. 3706 & 4975. Moreover, all registered projects using investment analysis (regardless of the leakage approach used) claim a price for the biomass residue although the biomass is not utilized in the absence of the project activity (since the baseline is either B1, B2, or B3). A table showing these registered projects is attached. For this project, L1 is used since the source of biomass to be used by the project is identifiable. Other projects use L2 when the specific source of the biomass used by the project is not identified. This issue is explained in details below under “Issue # 2 Using L1 to determine Leakage”.
2. In this project, PP has correctly identified that the baseline scenario for biomass residues is B3. The DOE has validated that the biomass residues are burnt in an uncontrolled manner through document review (Egypt State of the Environment Report, Ministry of State for Environmental Affairs, Egyptian Environmental Affairs Agency, 2010, page 303) and was confirmed by host country expert and CDM APU member present during the site visit.
3. The claim that biomass residues are burnt in an uncontrolled manner without utilizing them for energy purposes does not contradict with the fact that if the biomass is collected and processed it would have a value.

Issue # 2 Using L1 to Demonstrate Leakage

Clarification of implicit assumption in the methodology and interpretation by the DOE

The DOE would like to clarify the following related to the *market* in the methodology ACM003 v 7.4 which may have caused the confusion. The interpretation could be drawn into 2 different situations

1. ***Utilization of the biomass.*** If the biomass is not utilized, then this means that there is no market for it. If the biomass is utilized, then this means that there is a market for it. The text of the methodology relating to this issue is on pages 22 states “Demonstrate that this practice would continue in the absence of the CDM project

activity, e.g. by showing that in the monitored period no market has emerged for the biomass residues considered or by showing that it would still not be feasible to utilize the biomass residues for any purposes (e.g. due to the remote location where the biomass residue is generated)".

2. Source of the biomass. If the biomass is sourced from a specific known site, then this means it is not purchased from the market. If the specific site where the biomass is sourced from is not known, then the biomass is assumed to be purchased from the market. The text of the methodology relating to this issue is on page 23 and states "This approach is applicable to situations where project participants use only biomass residues from specific sites and do not purchase biomass residues from or sell biomass residues to a market".

- The methodology is only applicable to 3 scenarios B1, B2, and B3. Under these 3 scenarios, the biomass is not utilized in the baseline i.e. has no market while under the project case, it is utilized by the project i.e. there is a market (price) for it.
- The selection of the leakage approach depends on the source of the biomass. If the site where the biomass is sourced from is known, then L1 can be used.
- L2 is used when the biomass is sourced from the market and the specific sites where the biomass is sourced from is not known. For projects utilizing L2, the "*biomass used by the project*" is not utilized in the absence of the project activity while "Other biomass" that is not utilized by the project may be used for other purposes.
- The methodology states that L1 approach is applicable for cases where the biomass residues are sourced from specific sites that are identified and not purchased from the market. The condition for using L1 is for cases where the sites where the biomass residues are identifiable and therefore there is no need to undertake a market survey to eliminate leakage. However, under the project activity, the biomass will be collected, processed, transported and delivered to the project site. This would definitely imply that the biomass would have a cost to compensate the supplier. In other words, if the supplier does not collect the biomass for the CDM project, it will be burnt in the fields. The price is determined by the supplier for covering the costs of the activities previously mentioned.
- The philosophy behind approach of L1 is that in cases where the PPs are able to identify specific sites where the biomass is sourced from and are able to demonstrate that the biomass is burnt in the absence of the project activity, it is not necessary to conduct a market survey under the project to demonstrate that there is surplus biomass in the market under the project activity (during the monitoring period as per the text of the methodology). It should be demonstrated under the project activity (monitoring period) that no market (no utilization of the biomass) has emerged for the specific biomass from the specific sites identified i.e. no other users



will utilize the biomass. It is also important to note that the methodology requires monitoring the site where the biomass is sourced from to make sure that the open burning practice would continue during the project activity and that no market has emerged for the biomass.

- In conclusion, for any baseline scenario under the methodology, the biomass that is used under the project activity has no market in the baseline scenario while it has a market (a price) under the project activity. The price is determined by the supplier to cover the cost of collection, processing, and delivering to the project site. The condition to use L1 to eliminate leakage is based on the ability to identify the site where the biomass is sourced from and not based on the utilization of the biomass in the baseline as this is the case for all baseline scenarios for which the methodology is applicable.
- The DOE validated that the supplier will source the biomass from specific sources that will burn the rice straw in the absence of the project activity. The PPs provided a letter from the supplier during the validation which confirms this. The letter is available in the documentation system of the DOE since the validation site visit. As per the monitoring requirements of the methodology, the PPs will monitor the specific source where the biomass is sourced from and shall demonstrate that no market has emerged for the biomass from this specific source, which should be confirmed during verification.

Review Issue # 2

Original text of the issue raised:

The DOE shall further validate the suitability of applying approach L1 of the methodology to demonstrate the leakage from the biomass residues used by the project activity, in particular, the DOE shall explain how it has validated that there is no market for biomass residues considering that a price appears to have been applied for the cotton stalks and the rice straws in the investment analysis. Please refer to VVM version 1.2 paragraph 90. Please refer to VVM version 1.2 paragraph 90.

PP's Response

DOE's Response

Clarification of implicit assumption in the methodology and interpretation by the DOE

The DOE would like to clarify the following related to the *market* in the methodology ACM003 v 7.4 which may have caused the confusion. The interpretation could be drawn into 2 different situations

1. Utilization of the biomass. If the biomass is not utilized, then this means that there is no market for it. If the biomass is utilized, then this means that there is a market for it. The text of the methodology relating to this issue is on pages 22 states “Demonstrate that this practice would continue in the absence of the CDM project activity, e.g. by showing that in the monitored period no market has emerged for the biomass residues considered or by showing that it would still not be feasible to utilize the biomass residues for any purposes (e.g. due to the remote location where the biomass residue is generated)”.

2. Source of the biomass. If the biomass is sourced from a specific known site, then this means it is not purchased from the market. If the specific site where the biomass is sourced from is not known, then the biomass is assumed to be purchased from the market. The text of the methodology relating to this issue is on page 23 and states “This approach is applicable to situations where project participants use only biomass residues from specific sites and do not purchase biomass residues from or sell biomass residues to a market”.

- The methodology is only applicable to 3 scenarios B1, B2, and B3. Under these 3 scenarios, the biomass is not utilized in the baseline i.e. has no market while under the project case, it is utilized by the project i.e. there is a market (price) for it.
- The selection of the leakage approach depends on the source of the biomass. If the site where the biomass is sourced from is known, then L1 can be used.
- The methodology states that L1 approach is applicable for cases where the biomass residues are sourced from specific sites that are identified and not purchased from the market. The condition for using L1 is for cases where the sites where the biomass residues are identifiable and therefore there is no need to undertake a market survey to eliminate leakage. However, under the project activity, the biomass will be collected, processed, transported and delivered to the project site. This would definitely imply that the biomass would have a cost to compensate the supplier. In other words, if the supplier does not collect the biomass for the CDM project, it will be burnt in the fields. The price is determined by the supplier for covering the costs of the activities previously mentioned.
- The philosophy behind approach of L1 is that in cases where the PPs are able to identify specific sites where the biomass is sourced from and are able to demonstrate that the biomass is burnt in the absence of the project activity, it is not necessary to conduct a market survey under the project to demonstrate that there is surplus biomass in the market under the project activity (during the monitoring period as per the text of the methodology). It should be demonstrated under the project activity (monitoring period) that no market (no utilization of the biomass) has emerged for the specific biomass from the specific sites identified i.e. no other users will utilize the biomass. It is also important to note that the methodology requires monitoring the site where the biomass is sourced from to make sure that the open burning practice would continue during the project activity and that no market has

emerged for the biomass.

- In conclusion, for any baseline scenario under the methodology, the biomass that is used under the project activity has no market in the baseline scenario while it has a market (a price) under the project activity. The price is determined by the supplier to cover the cost of collection, processing, and delivering to the project site. The condition to use L1 to eliminate leakage is based on the ability to identify the site where the biomass is sourced from and not based on the utilization of the biomass in the baseline as this is the case for all baseline scenarios for which the methodology is applicable.
- The DOE validated that the supplier will source the biomass from specific sources that will burn the rice straw in the absence of the project activity. The PPs provided a letter from the supplier during the validation which confirms this. The letter is available in the documentation system of the DOE. As per the monitoring requirements of the methodology, the PPs will monitor the specific source where the biomass is sourced from and shall demonstrate that no market has emerged for the biomass from this specific source, which should be confirmed during verification.

The DOE has also crosschecked registered UNFCCC CDM project number 3706 (which is implemented in the same host country), and found that the same approach L1 was used (in addition to L2). Moreover, registered project number 4975 utilized L1 (in addition to L2 and L3). In both projects, a price for the biomass has been used. Hence accepted by VT.