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Attn: JI Supervisory Committee

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Your ref.:	Our ref.:	Date:
JI Ref 0077	MLEH	12 October 2009

Initial response to request for review

"CMM utilisation on the coal mine Shcheglovskaya-Glubokaya of the State Holding Joint-Stock Company „GOAO Shakhtoupravlenye Donbass", Ukraine (0077)

Dear Members of the JI Supervisory Committee,

We refer to the requests for review raised by three JISC members concerning DNV's determination of the project activity 0077 entitled "CMM utilisation on the coal mine Shcheglovskaya-Glubokaya of the State Holding Joint-Stock Company „GOAO Shakhtoupravlenye Donbass", Ukraine, and we would like to provide the following initial response to the issues raised by these requests for review.

Additionality tool

The approved consolidated methodology AC0008 version 3 "Consolidated baseline methodology for coal bed methane and coal mine methane capture and use for power (electrical or motive) and heat and/or destruction by flaring" was used to identify the baseline scenario of the JI project. It requires that the latest version of the CDM additionality tool is used to demonstrate additionality. However project proponent used version 3 (valid from 16 Feb 2007 until Nov 2007) of "Tool for the demonstration and assessment of additionality" instead of version 5.2. It is also against JISC rules and guidance which requires that "In case an approved clean development mechanism (CDM) baseline and monitoring methodology is used, all explanations, descriptions and analyses, inter alia with regard to additionality shall be made in accordance with the selected methodology.

DNV Response:

DNV appreciates the initiative from JISC members to clarify the use of versions. Version 3 was the most recent version of the additionality tool at the start of the validation of this project (PDD published 13 September 2007) and that is the reason for staying with this version. DNV also noted that several other projects have been registered based on a version of the additionality tool that was no longer valid for the CDM at the time the determination report was finalised. JI project number 0064 registered on 15 July 2009 is a recent example of this as it was accepted using version 3 of the additionality tool. This was considered as relevant guidance when submitting 0077 on 19 August 2009.

Flaring tool

Additionally according to paragraph 20 and 21 of JISC Guidance on criteria for baseline setting and monitoring version 1; If an approved CDM baseline and monitoring methodology is used, all explanations, descriptions and analyses shall be made in accordance with the selected methodology. However the project proponent did not apply the "Tool to determine project

emissions from flaring gases containing methane" as required by ACM0008, version 3 and instead used its own assumptions. Hence, the issues were not appropriately addressed by provisionally acting AIE.

DNV Response:
It is DNV's understanding that JI projects applying approved CDM methodologies may deviate from some of the requirements of the CDM methodology as long as such deviations are validated by the Independent Entity and are found to be acceptable. The *Guidelines for users of the JI PDD form* stipulate that "in case of deviations from the applied approved CDM baseline and monitoring methodology, please provide a complete, clear and transparent description and justification of the deviations."
DNV highlighted in the determination report that the "Tool to determine project emissions from flaring gases containing methane" was not used. DNV assessed this as it is considered a deviation of the used methodology.
The assessment considered that the operation of the described flare would need to be justified by monitoring continuously the combustion temperature (850 ºC or higher) and therefore would ensure a higher combustion efficiency than the requirements given in the "Tool to determine project emissions from flaring gases containing methane" where the requirement is set on the exhaust temperature (500 ºC or higher for more than 40 minutes pr. hour).
The chosen equipment comply to the requirements of the German regulations (a combustion efficiency of 99.9%) when the combustion temperature is 850 ºC or higher. DNV was therefore able to conclude that the proposed deviation was acceptable as the project uses 99.5% as combustion efficiency and therefore is conservative compared to 99.9%.
The same deviation has been accepted for JI-project 0079 registered 9 December 2008, this has also been considered as relevant guidance at the time of submission of JI-project 0077.

Methodology
"This case is really complicated one to consider eligibility to "Guidance on criteria for baseline and monitoring" version 1 because there is no guidance yet if the most recent version of a CDM additionality tool must be used and the applicability of outdated versions of CDM methodologies. JISC should discuss and make consensus about these subjects for further determination process of similar project."

DNV Response:
DNV appreciates the initiative from JISC members to clarify the use of versions and await the conclusions from JISC discussions.

Inconsistencies
Furthermore there are inconsistencies with regard to starting date of the project, version of the PDD used for the determination, description of the project within determination report.

DNV Response:
DNV acknowledges that there are some inconsistencies between the PDD and the determination report.

The start date of the project is confirmed to be 19 May 2006.

The determination is based on the PDD of 6 August 2009 (version 7 and final version) and the PDD of 13 September 2007 (version 4 and published version). The PDD of 16 September 2008 is an intermediate version and the reference to this version will be corrected in the executive summary of determination report.

The description of system boundaries in the determination report (ch.4.3) will be updated to be consistent with project description (ch.4.2).

We sincerely hope that our response demonstrates that DNV, based on our professional experience, has assessed the issues raised in the requests for review as part of the determination of the project and our conclusion was that these issues were adequately addressed.

Yours faithfully

for Det Norske Veritas Certification AS

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