Overgas Inc. AD

Reduction of Greenhouse Gases by Gasification in the Varna Municipality

Determination Report

1 april 2005
This report contains 18 pages
Determination Report Varna Gasification Project

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1 Determination statement

Introduction, responsibilities and scope

The management of Overgas Inc. AD asked us to validate the Project Design Document (PDD) of Reduction of Greenhouse Gases by Gasification in Varna Municipality.

The management of Overgas Inc. AD is responsible for the preparation of the PDD in accordance with Article 6 of the Kyoto Protocol and the Guidelines for the implementation of Article 6 of the Kyoto Protocol in the Marrakech Accords and for the calculation of the baseline emissions and for the estimation of the project emissions and the forecasted emission reductions.

Our responsibility is to issue a determination statement on whether the PDD has been prepared in accordance with Article 6 of the Kyoto Protocol and the Guidelines for the implementation of Article 6 of the Kyoto Protocol in the Marrakech Accords and on the assumptions and methods applied for the calculation of the baseline emissions and for the estimation of the project emissions and the forecasted emission reductions.

Activities Undertaken

Our activities included:

- assessment of PDD in relation to compliance with Article 6 of the Kyoto Protocol and the Guidelines for the Implementation of Article 6 of the Kyoto Protocol in the Marrakech Accords;

- on site interviews with the staff in Overgas Inc. AD involved in the preparation of the PDD and the collection of the reported data;

- assessment of the internal documents used for preparing the Baseline Study;

- review of the applied assumptions and methods for the calculation of the baseline emissions and for the estimation of the project emissions and the forecasted emission reductions. This review was limited to inquiries of company personnel, analytical procedures applied to the emission data and to the proper application of assumptions.

Determination Opinion

In our opinion, the PDD has been properly prepared on the basis of Article 6 of the Kyoto Protocol and the guidelines for the implementation of Article 6 of the Kyoto Protocol in the Marrakech Accords[1] except from the following requirement:

- The Dutch Government has not yet approved the project and therefore still no Declaration of Approval has been submitted by the Netherlands.

Based on our activities undertaken, assuming the project will be realized, nothing came to our attention that causes us to believe that the applied assumptions and methods do not provide a reasonable basis for the forecasted emission reductions compared to the selected most likely baseline scenario.

Actual emission reductions may differ from the forecast since anticipated events do not always occur as expected.

Amstelveen, 1 April 2005

J. van der Kolk
KPMG Sustainability B.V.

[1] Document reference FCCC/CP/2001/13/Add.2

2 Introduction

Overgas has commissioned KPMG Sustainability to validate the Project Design Document of the Joint Implementation Project related to the reduction of CO_2 emissions in Varna.

The project aims in the reduction of CO_2 emissions by switching from carbon rich solid and liquid fuels to natural gas by industries, public and administrative buildings and households. The expected CO_2 emissions reduction will be the result of investments in a main gas branch and gas distribution networks.

This chapter describes the objective, scope, and determination methodology and determination team for this determination. Key data are included in Annex A.

2.1 Objective

The aim of this determination is to evaluate the planned project activity against the requirements of the JI as set out in decision FCCC/CP/2001/13/Add.2 of 21 January 2002 on the basis of the PDD developed by the project proponent, Overgas.

Also the requirements of SenterNovem, the potential buyer of any ERU's resulted from this project are taken into account. These requirements are set out in the Operational Guidelines for Project Design Documents of Joint Implementation Projects (volume 1: General guidelines and volume 2: Baseline studies and monitoring plans for specific project categories) of June 2003.

2.2 Scope

The scope of this determination consists of assessing the following elements of the PDD against the requirements set out by UNFCCC and SenterNovem respectively.

The following elements of the PDD are evaluated. The results thereof are described in chapter 3.

(i) Baseline study. The baseline study is intended to assess the level of greenhouse gas emissions attributable to human activities that would have occurred without the project. The baseline study also assesses the level of greenhouse gas emissions that will occur after implementation of the project.

(ii) Monitoring plan, describing which data will be collected for monitoring purposes. The monitoring plan includes a description of the quality assurance and control provisions for monitoring, collecting and reporting.

(iii) Environmental Impacts, providing documentation on the analysis of environmental impacts of the project. If the impacts are considered important, conclusions and supporting documentation of an environmental impact assessment has to be provided. The environmental impact assessment has to be undertaken in accordance with the procedures of the country where the project is implemented.

(iv) Stakeholder comments. The international stakeholder comments have been collected on the basis of a 30 day publication of the project design document on the CarbonCredits.nl website. The national stakeholder comments have been included in the PDD.

On the basis of the provided PDD and of the evaluation thereof (see above), we have formed an opinion on the basis of the following criteria (described in chapter 4):

- The relevance of the defined project boundaries, assuring that the covered greenhouse gas emissions appropriately reflect the greenhouse gas emissions of the project and that all relevant greenhouse gases have been taken into account;

- The completeness of assumptions, data, references and calculations applied in the definition of:
  - Project boundaries;
  - The emission level that would occur in the absence of the project;
  - The emission level that is likely to occur upon completion of the project;
  - Inclusion of all greenhouse gas emission sources and activities within the defined project boundaries, with any exclusions stated and specified;
  - Leakage – whether the project might in a net change of greenhouse gas emissions outside the project boundaries;
  - Additionality – whether the project activity is expected to result in reduction of greenhouse gas emissions that are additional to any that would occur in the absence of the proposed project.

- The consistency of the applied methodology and input data with:
  - The Marrakesh accords of November 2001, Draft decision -/CMP.1 (Article 6);
  - The "Operational Guidelines for Project Design Documents of Joint Implementation Projects (volume 1: General guidelines and volume 2: Baseline studies and monitoring plans for specific project categories) of the Ministry of Housing, Spatial Planning and Environment of the Netherlands, June 2003.

- The transparency of the baseline study, based on:
  - Coherent and factual description and justification of all assumptions on the basis of which the baseline was calculated;
  - The description and justification of all assumptions on the basis of which the emission levels after project completion were calculated;
  - Disclosure of underlying data and references that were used in compiling the baseline study.

- The accuracy of the greenhouse gas emission calculations, ensuring that these have the precision needed for their intended use, including the possibility of performing a sensitivity analysis.

2.3 Limitations

The criteria for Joint Implementation Projects described in Article 6 of the Kyoto Protocol and the Guidelines for the implementation of Article 6 of the Kyoto Protocol in the Marrakech Accords are subject to different interpretations especially regarding whether the project is additional or not. Different interpretations can lead to different conclusions and it is not guaranteed that our interpretation will be equal to the interpretation that will be used by the Joint Implementation Supervisory Committee once this committee will be formed.

Quantitative criteria for additionality have not been defined like for instance a minimum change of the Internal Rate of Return or a minimum change of the Net Present Value caused by the transaction of ERU's. Also no maximum Internal Rate of Return without ERU's has been defined as limit. As a result of this we limited our activities regarding the additionality of the project to assessing whether the project developers demonstrated that the emission reductions are additional to any that would occur in absence of the proposed project[2], by using at least one of the three additionality tests from the SenterNovem instructions.

2.4 Determination methodology

The determination consisted of a desk review of the PDD with its Annexes. The team in Overgas and Gastec Bulgaria responsible for preparing the PDD has been interviewed.

2.5 Determination team

The following team has carried out the determination:

Name	Organization and role in the project
Eric Koudijs	KPMG Sustainability The Netherlands, Senior consultant, Project Leader
Tzanko Tzanov	Energy expert from the University of Sofia and freelancer working for KPMG Sustainability The Netherlands during this project. He was technical assistant in the project.

Table 1: Determination team

[2] Article 1 of Appendix B of the Guidelines for Implementation of Article 6 of the Kyoto Protocol: Criteria for Baseline Setting and Monitoring

3 Determination

The activities carried out during determination and the period during which these have taken place are described in the following sections. The findings for each component of the PDD are compared with the requirements.

The source for the requirements is FCCC/CP/2001/13/Add.2, Draft Decision -/CMP.1, Appendix B, 21 January 2002, unless stated otherwise.

3.1 Activities

KPMG Sustainability received the draft PDD's on 31 January 2005. The draft documents were reviewed and discussed during the visit of the determination team to the office of Overgas in Sofia. After this review Overgas made a number of changes in the documentation and on 23 February 2005 an updated version of the PDD was put on the CarbonCredits.nl website.

Date	Interviewee	Position
2 and 3 February 2005	Discussions with the authors of the PDD in the office of Overgas/Gastec in Sofia Bulgaria	
	Alexander Levashki	Executive Director Gastec Bulgaria.
	Nevena Pingarova	Chief Expert Development Department Gastec Bulgaria.
	Georgi Bazadjiev	Chief Expert Ecology and Sustainable Development Department Gastec Bulgaria.
	Radostina Valkova	Expert Ecology and Sustainability Development Department Gastec Bulgaria.
	Valentin Korchev,	Chief Expert, Marketing Department, Overgas Inc. AD
	Alexander Popov,	Chief Expert, Sales dept., Varnagas AD

Table 2: Overview of site visits and interviews

KPMG submitted the PDD to SenterNovem and the documentation was published between 23 February and 23 March 2005 on the website carboncredits.nl. On this website a KPMG e-mail address was published where stakeholder could make comments or ask questions.

3.2 Baseline study

The *baseline* for an Article 6 project (Joint Implementation) is the scenario that reasonably represents the anthropogenic emissions by sources of greenhouse gases that would occur in the absence of the project activities within the project boundary.

The project specific baseline has to be established by the project participants in accordance with UNFCCC requirements. The baseline has to describe in a transparent and conservative manner the choices of (i) approaches, (ii) assumptions, (iii) methodologies; (iv) parameters, (v) data sources, (vi) key factors and (vii) additionality, and (viii) take into account uncertainty.

The baseline requirements have been set out against our findings in the table 3. The source for the requirements is FCCC/CP/2001/13/Add.2, Draft Decision -/CMP.1, Appendix B, 21 January 2002.

Requirement	Findings
The baseline shall be established on a project specific basis and/or using a multi project emission factor.	The baseline has been based on the specific situations in Varna. Internal market research of the marketing department of Overgas have been used for setting the baseline.
The baseline shall be established in a transparent manner with regards to the choice of approaches, assumptions, methodologies, parameters, data sources and key factors.	The report structure of the Operational Guidelines has been used. The spreadsheet for calculating the baseline and project emissions is an integral part of the baseline study. Approaches, methodologies, parameters, data sources and key factors have been described in a transparent manner. The standard emission factors from Bulgaria's National Greenhouse Gas Inventory Report (Annex III) published on the UNFCCC website have been used as basis for calculating the emission reductions.
The baseline shall be established taking into account relevant national and/or sectoral policies and circumstances such as sector reform initiatives, local fuel availability, power sector expansion plans, and the economic situation in the project sector.	The key factors influencing the baseline and the project have been described in chapter 4. Overgas en Gastec performed market research in Varna before taking the decision to invest. The information from these studies has been used for the PDD. The expectations of the management of the company regarding the trends in the energy sector in Bulgaria and the economic developments have been used in establishing the baseline.
The baseline shall be established in such a way that ERU's cannot be earned for decreases in activity levels outside the project activity or due to force majeure.	Decreases of activity levels outside the project activity do not affect the baseline emissions and the project emissions. The baseline has been established in such a way that there will be a direct link between the natural gas use and the emissions reductions of the project.
The baseline shall be established taking into account uncertainties and using conservative assumptions.	Although forecasts are by nature always uncertain the baseline seems conservative, because of the conservative assumptions used. The applied annual growth percentages (1 - 2%) is lower than the other scenarios that are used in the company.
Explanation how the baseline was established in a transparent and conservative	The spreadsheet calculating the baseline emissions has been attached to the baseline report. The efficiency factors in the current situation compared to the project scenario have been

Requirement	Findings
manner.	transparently described in the PDD and the spreadsheet. Conservatism is demonstrated in the efficiency factors in the baseline scenario. The direct link between natural gas sales in the project and the realised emission reductions makes the monitoring easier and transparent and supports the conservative approach. Only 300,000 ERU's are offered to SenterNovem while the estimated emission reduction are 362,566 tonnes CO_2. If the speed of the introduction of natural gas will be a slightly slower than expected the forecasted emission reductions will still be achieved.
Statement of how anthropogenic emissions of GHG by sources are reduced below those that would have occurred in the absence of the registered JI project activity[3].	In the absence of the project, no natural gas would be introduced in Varna and consequently no GHG emissions would be reduced in that situation. In the justification of the project the project developers describe the investment barriers for investments in this sector in Bulgaria. Op top of that they indicate that funding through Joint Implementation will stimulate end-users to switch to natural gas because Overgas intends to use the ERU's to reduce the price of natural gas. The results of calculations of the Internal Rates of Return and the Net Present Value with and without ERU's have been included in the PDD. This demonstrates that the ERU's are an important factor for the project. Therefore it is demonstrated that the proposed project activity is not a likely baseline scenario and we conclude that the expected emission reductions of the project will be additional to any that would occur in absence of the proposed project.

Table 3: Baseline emissions

[3] Registration can only take place upon determination of the JI project activity.

3.3 Sensitivity analysis

According to the Operational Guidelines the project developer must assess systematically and through sensitivity analysis the extent to which the key factors affect the future baseline.

In chapter 6 of the Baseline Study Overgas explains the growth scenarios and expectations of the Bulgarian economy and energy consumption.

3.4 Monitoring plan

The monitoring plan describes the data collection and archiving systems that are required to estimate or measure the anthropogenic emissions by sources of greenhouse gases within the project boundary during the crediting period.

The requirements for the monitoring plan have been set out against our findings in table 4.

Requirement	Findings
The monitoring plan shall include a plan for the collection and archiving of all relevant data necessary for estimating or measuring anthropogenic emissions by sources and/or anthropogenic removals by sinks of greenhouse gases occurring within the project boundaries.	The monitoring plan has been described in chapter 9 of the PDD. This monitoring will be limited to monitoring of natural gas sales in the project period applying emission reduction factors per m^3 of natural gas sold. This approach will make monitoring easy and transparent.
The monitoring plan shall include a plan for the collection and archiving of all relevant data necessary for determining the baseline of anthropogenic emissions by sources and/or anthropogenic removals by sinks of greenhouse gases within the project boundary during the crediting period.	The monitoring plan defines responsibilities and refers to systems for natural gas measuring and registration that Overgas already uses in other gas distribution systems.
The monitoring plan shall include a plan for the identification of all potential sources of, and the collection and archiving of data on increased anthropogenic emissions by sources and/or reduced anthropogenic removals by sinks of greenhouse gases outside the project boundary that are significant and reasonably attributable to the project during the crediting period. The project boundary shall encompass all anthropogenic emissions by sources and/or removals by sinks of greenhouse gases under the control of the project participants that are significant and reasonably attributable to the Article 6 project.	The company intends to use the emission factors calculated in the PDD for the monitoring. During the determination no omission of Greenhouse Gas emissions was identified. The subject of possible natural gas leakages from the new system was discussed during determination. The company expects that leaks of natural gas will be minimal because of the fact that modern technology will be applied.
The monitoring plan shall include a plan for collection and archiving information about environmental impacts, in accordance with procedures as required by the host Party, where applicable.	External experts performed Environmental Impact Assessments confirming the positive aspects of natural gas use. Management of environmental impacts will be subject of the host Party legal requirements.

Requirement	Findings
The monitoring plan shall include a plan for quality assurance and control procedures for the monitoring process.	The quality control procedures of the company will also be applied for this project. The monitoring plan defines responsibilities for monitoring.
The monitoring plan shall include a plan for procedures for the periodic calculation of the reductions of anthropogenic emissions by sources and/or enhancements of anthropogenic removals by sinks by the proposed Article 6 project, and for leakage effects, if any. Leakage is defined as the net change of anthropogenic emissions by sources and/or removals by sinks of greenhouse gases which occurs outside the project boundary, and that is measurable and attributable to the Article 6 project.	During the monitoring period the same parameters will be applied using the same spreadsheet as used in the baseline report. Removals and sinks outside the project boundaries as well as leakage have been considered in the baseline report and are considered to be insignificant.
The monitoring plan shall include a plan for documentation of all steps involved in the calculations referred to in subparagraphs above.	The monitoring plan refers to the baseline report indicating that the same formulas and the same formats will be used as those used in the baseline report.

Table 4: Monitoring plan

The annual CO_2 emission reductions have been projected by comparing expected baseline situation with the project situation.

3.5 Environmental impacts

The Bulgarian legislation requires Environmental Impact Assessments for the projects that can have a potential negative influence on the environment.

Requirements	Findings
Documentation on the analysis of environmental impacts, including transboundary impacts.	Independent experts performed the Environmental Impact Statements for the project according to Bulgarian legislation. Based on this EIS the Regional Inspectorate of Environment and Water (RIEW) in Varna decided that no Environmental Impact Assessment (EIA) has to be prepared.
Conclusions and references of an Environmental Impact Assessment (EIA). An EIA has to be carried out if project participants or the host Party consider the impacts to be significant. The EIA has to be undertaken in accordance with the procedures as required by the host Party.	The conclusion of the independent experts is that the project will not have a negative impact on environmental components. The Environmental Authorities decided no EIA has to be prepared because no negative environmental impact is expected.

Table 5: Environmental impacts

3.6 Stakeholder consultation

The opinion of stakeholders should be sought from both Bulgarian stakeholders and from international stakeholders.

The initiatives of the company regarding local stakeholder consultation have been described in chapter 10 of the PDD.

The Bulgarian stakeholder consultation was organised through the application procedures for environmental permits of the projects and through direct contacts with stakeholders. In chapter 10 of the PDD a summary of the stakeholder initiatives and the stakeholder comments have been included. In summary the comments from local stakeholders were merely positive.

The PDD was published on the SenterNovem website carboncredits.nl between 23 February 2005 and 23 March 2003 for obtaining stakeholder comments.

Three stakeholder comments were received by the validator all very positive about the gasification project in Varna. The names of the stakeholders and, according to themselves, their positions have been described below together with a summary of their comments.

Dr. Krasimir Petrov, from the University of Architecture, Civil Engineering and Geodesy in Sofia and professor at the Faculty of Hydrotechnics. Since 12 years he leads teams involved in

the preparation of Environmental Assessments and Concession Analysis in the field of gasification and large pollutants.

Dr. Petrov considers the project as interesting not only because of the modernisation of the infrastructure but also as a possibility for effective implementation of the commitments undertaken by Bulgaria and the Netherlands under Kyoto Protocol. He notes the importance of Joint Implementation as an exceptional opportunity for supporting projects of economical, social and ecological importance. He thinks the project is unique as it succeeds in unifying exactly the end users from residual sectors that wouldn't be able to participate as individuals in such type of emissions trading. He considers the marketing strategy for attracting end users as very positive. "The project will certainly reduce the emissions". He congratulates the authors of the project for the good manner of its presentation.

Mrs. Stanka Doncheva, manager of the firm Control P Ltd., which is specialized in the procedures according to Bulgarian ecological legislation since 1994.

Mrs Doncheva states that the proposed project is very actual and it meets the basic principles of Bulgarian and EU ecological legislation and requirements of Kyoto Protocol. She considers the the gasification of Varna not only stimulating the regional economy, but it will also increase the attractiveness of Varna as a sea resort on the Black Sea. She congratulates the initiators of the project for their intention to make the natural gas accessible to the all users in Varna.

Mr. Georgi Dimov, expert in the field exploration and production of oil and gas closely followed the development of the gasification of Varna.

Mr. Dimov states that since 1977 only a few industries in Varna municipality have been using natural gas for heat generation. Varnagas AD was established in 1997 as a joint venture of Overgas Inc. AD and Varna municipality. However, according to Mr. Dimov, the initial efforts of the company to launch a large-scale gasification in Varna failed due to the lack of funds for the construction of the gas distribution grid (more than EUR 12 million according to the Overgas Project) as well as of barriers of legal, social and cultural character. He would like to support this project and he hopes also that Overgas would win ERUPT 5, since it will help to make natural gas accessible to thousands of households. "It goes without saying that the project will have a serious contribution to environment protection, which is of crucial importance for a renowned sea resort. At the same time this project will enable small end users to get involved in the GHG trade and benefit concretely". Finally he believes that gasification of Varna will play a leading role in enhancing the sustainable development of the town and the region as a whole.

3.7 Host Country Approval

The minister of the Ministry of Environment and Water of Bulgaria signed a letter of Approval of the respective Joint Implementation project on 17 March 2005.

A copy of this letter has been attached in appendix C.

3.8 Declaration of Approval

The Dutch Ministry of Economic Affairs still has not yet approved the project.

3.9 Corrective action requests

The corrective actions requested by KPMG Sustainability are included in Annex B.

A Key data

Project name	**" Reduction of greenhouse gases by gasification in Varna Municipality "**
Project number (SenterNovem)	ERU05/21
Project description	The project aims in the reduction of CO_2 emissions by switching from carbon rich solid and liquid fuels to natural gas by industries, public and administrative buildings and households. The expected CO_2 emissions reduction will be the result of investments in a main gas branch and gas distribution networks.
Project proponents	Overgas Inc. AD Mrs. Stela Kr. Blagova 5, Philip Kutev str. 1407 Sofia Bulgaria Tel. + 359 2 96 03 360 Fax: + 359 2 962 17 24 E-mail: stela_blagova@overgas.bg
Validator	KPMG Sustainability BV Amstelveen The Netherlands Tel. + 31 6 5155 3429 Fax. + 31 20 656 4510 E-mail: Koudijs.Eric@kpmg.nl
CO_2 reduction claimed by project	ERU's: 300,000 tonnes CO_2 in the period 2008 – 2012 (5 years)

Table 6: Key data project

B Corrective action requests

On the basis of the examination of the draft PDD version of 31 January 2005, the following questions have been asked.

Page nr.	Issue
Page 13	Describe more clearly what the relation is between Varnagas AD and Overgas Inc.AD the entity developing the project as Joint Implementation project. In the final version of the PDD in chapter 1.3.4 the relation between Varnagas AD. and Overgas Inc. AD has been described. In the paragraph about end users the relation with Overgas Inc. AD has been described. Status: Closed
Page 31-34	In the first draft PDD had a limited chapter on additionality only briefly describing the barriers for the project. The barrier analysis from the additionality test was used as main test for demonstrating the additionality of the project. The final version contains a more elaborated chapter (chapter 5) on additionality including financial arguments (the Internal Rate of Return and the Net Present Value of the investment and financial barriers to invest in the project. Status: Closed
Page 38	In the first draft of the PDD no explanation was given why the emission factors for electricity from the Operational Guidelines (Operational guidelines for PDD of JI projects,Vol.1, Annex B, SenterNovem, 2004) were used. The final version describes that these factors are used because no approved CDM methodology was available for similar projects. Status: Closed
Various pages	Various small text corrections were discussed during the interviews of the validator in the office of Overgas Inc. AD on 2 and 3 February. These corrections were small and did not materially affect the content of the document. The authors of the PDD implemented these corrections. Status: Closed

C Letter of Approval of the Host Country

REPUBLIC OF BULGARIA
MINISTRY OF ENVIRONMENT AND WATER

Letter of Approval

Undersigned, as a legal and authorised representative of the Republic of Bulgaria,

Acknowledging that the Republic of Bulgaria has ratified the United Nations Framework Convention on Climate Change in 1995,

Taking into consideration that the Republic of Bulgaria has ratified the Kyoto Protocol in 2002,

Recalling that the Republic of Bulgaria and the Kingdom of the Netherlands have signed a Memorandum of Understanding on Reducing Emissions of Greenhouse Gases under Article 6 of the Kyoto Protocol

Referring to:
Proposal number: И-ИД-582/25.02.2005, named:

REDUCTION OF GREENHOUSE GASES BY GASIFICATION IN VARNA MUNICIPALITY

hereafter to be referred to as "JI project",
located in the municipality of Varna by switching to natural gas from liquid and solid fuels and electricity

by "Overgas Inc.", hereafter to be referred to as "Supplier",

declares that:

1. Bulgaria has ratified the Kyoto Protocol.
2. Bulgaria will comply with the requirements to participate in Article 6 KP projects as stated in the Marrakech Declaration no later than 1 September 2006.

D Declaration of Approval

The Dutch Government has not approved the project yet.

3. Bulgaria recognises the JI project to be a Joint Implementation project in accordance with article 6 of the Kyoto Protocol and its underlying decisions.
4. Bulgaria authorises the Supplier and any future owner of the JI project to generate Claims on ERUs, by operation of the JI project, in accordance with article 6 of the Kyoto Protocol.
5. Bulgaria accepts to transfer 100 % of the verified ERUs, generated through the JI project during the period 2008 – 2012, but not more than 362 566 ERUs to the Government of The Netherlands. The transfer of ERUs is irrespective of any legal or other transfer of the JI project to third parties.
6. Bulgaria also confirms that it will set aside for the project "Reduction of greenhouse gases by gasification in Varna municipality" an amount of Assigned Amount Units (AAUs) corresponding to 40 090 tCO_2 equivalent expected to be generated by the Project prior to 2008 in accordance with the MoU between the Republic of Bulgaria and the Kingdom of the Netherlands.
7. Bulgaria is currently in the process of establishing an AAU management and investment scheme for "greening" of AAUs transferred through the Emissions Trading mechanism of Article 17 of the Kyoto Protocol. Once the scheme is operational, latest at the beginning of 2006, the AAUs generated by the Project and agreed between the Host country and the Supplier, will be transferred to the Netherlands.
8. In case Bulgaria and the Netherlands fully comply with the participation requirements of the Marrakech accords, the transfer of ERUs will be based on article 23 of these accords ('JI track one').
9. At the latest in 2011 Bulgaria and the Netherlands will start discussions on eventual transfer of ERUs generated by the JI project after 2012.

Signed:

Dolores Arssenova
Minister

Date: 17.3.2005
Sofia, Bulgaria