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Expert Statement

Mitsubishi Corporation

DETERMINATION OF THE JI TRACK-1 PROJECT:
“YETY-PUROVSKOE OIL FIELD ASSOCIATED GAS
RECOVERY AND UTILIZATION PROJECT”

REPORT NO. 1336142

March 9th, 2010

TÜV SÜD Industrie Service GmbH
Carbon Management Service
Westendstr. 199 – 80686 Munich – GERMANY



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Subject: Determination of a JI Track-1 project – Expert Statement	
Accredited TÜV SÜD Unit: TÜV SÜD Industrie Service GmbH Certification Body “climate and energy” Westendstr. 199 80686 Munich Germany	TÜV SÜD Contract Partner: TÜV SÜD Industrie Service GmbH Carbon Management Service Westendstr. 199 80686 Munich Germany TÜV SÜD Russland GmbH 10/2 Krasnoarmeyskaya str. 125167 Moscow Russian Federation
Project Participant(s): JSC “Gazprom Neft” 105A Profsoyuznaya str. 117647 Moscow Russian Federation JSC “Gazpromneft-Noyabrskneftegaz” 59/87 Lenina str. 629807 Noyabrsk, Yamal-Nenets Autonomous District Russian Federation Mitsubishi Corporation (contract partner) 3-1, Marunouchi 2-chome, Chiyoda-ku 100-8086 Tokyo Japan Nippon Oil Corporation 3-12, Nishi Shimbashi 1-chome, Minato-ku 105-8412 Tokyo Japan	Project Site(s): Yety-Purovskoe oil field, 130 km northeast from Noyabrsk city, Yamal-Nenets Autonomous District, Russian Federation
Project Title: Yety-Purovskoe Oil Field Associated Gas Recovery and Utilization Project	
Applied Methodology / Version: AM0009 / version 4	Scope(s): 10
First PDD Version: Date of issuance: 22-05-2009 Version No.: 01 Starting Date of GSP 30-05-2009	Final PDD version: Date of issuance: 04-02-2010 Version No.: 03
Estimated Annual Emission Reduction (2009-2012): 910,205 tCO ₂ e	
Assessment Team Leader: Javier Castro	Further Assessment Team Members: Steffen Klein Andrey Atyakshev Konstantin Agamirzov Dr. Volodymyr Ilchenko



1 INTRODUCTION

1.1 Objective

TÜV SÜD Industrie Service GmbH, the Applicant Independent Entity № JI-E-0008 under the Procedure for accrediting Independent Entities with the JI-SC, and approved as an Accredited Independent Entity (AIE) by the Ministry for Economic Development of the Russian Federation, in accordance with Resolution No. 843 dated October 28, 2009 “On Measures to Implement Article 6 of the Kyoto Protocol to the United Nations Framework Convention on Climate Change” with its subsidiary company TÜV SÜD Russland LLC, hereinafter jointly “TÜV SÜD”, performed a Determination of the Joint Implementation, JI project (hereinafter referred to as “Project”):

Yety-Purovskoe Oil Field Associated Gas Recovery and Utilization Project.

Since the project has been withdrawn from the Track-2 procedure, the Determination has been carried out according to the Track-1 procedures in accordance with the criteria set forth by the Russian Federation (herein and after refer to as “Host country”) and based on requirements made available by JI Supervisory Committee (for JI Track-2).

1.2 Scope

The scope of any assessment is defined by the underlying legislation, regulation and guidance given by relevant entities or authorities. In the case of JI project activities the scope is set by:

- The Kyoto Protocol, in particular § 6
- Decision 2/CMP1 and Decision 3/CMP.1 (Marrakech Accords)
- Further COP/MOP decisions with reference to the JI (e.g. decisions 9/CMP.1)
- Decisions by the JI-SC published under <http://ji.unfccc.int>
- Specific guidance by the JI-SC published under <http://ji.unfccc.int>
- Guidelines for Completing the Project Design Document (JI-PDD)
- The applied approved CDM methodology(s)
- The technical environment of the project (technical scope)
- Internal and national standards on monitoring and QA/QC
- Technical guideline and information on best practice

The only purpose of the Determination and of this expert statement is their use during the registration/approval process as part of the JI Track-1 project cycle in Russia. Hence, TÜV SÜD cannot be held liable by any party for decisions made or not made based on the Determination opinion, which will go beyond that purpose.

2 PROJECT SUMMARY

Project description

Project is going to be implemented at Yety-Purovskoe oil field which is located in 130 km northeast from Noyabrsk city in the Yamal-Nenets Autonomous District, Russian Federation. The purpose of the project activity is the recovery and utilization of Associated Petroleum Gas (APG) produced as a by-product of oil production activities.



Due to the bad access to the existing transportation system and the low associated gas prices on the Russian market the dominant part of the recovered APG is currently flared on-site. The project scenario is the construction of an associated gas pipeline, which will connect Yety-Purovskoe oil field with the existing pipeline and further with the Gas Processing Plant, where APG will be processed into both the dry gas and the stable natural gas liquid component. The dry gas will be supplied over existing pipeline network to the domestic consumers. The stable natural gas liquid component will be transported to Noyabrsk city, where it will be used as fuel or material.

Baseline

Analysis conducted in accordance to the applied methodology (AM0009 “Recovery and utilization of gas from oil wells that would otherwise be flared or vented”, version 4, approved by CDM Executive Board, EB46) demonstrates that the baseline scenario is continuation of the current practice e.g. flaring of the dominant part of the recovered gas. Therefore, it can be confirmed that the proposed Project is not a likely baseline scenario.

Additionality

Prove of additionality was performed according to the applied “Tool for the demonstration and assessment of additionality” on the basis of investment analysis. It was shown that the project is not financially attractive, since the IRR of the project is negative. The project becomes only financially attractive and the IRR of the project reaches internal company benchmark, if it is registered as a JI project and the revenues from selling of ERUs are considered. Consequently, it can be confirmed that the emission reductions attributable to the Project are additional to any that would occur in the absence of the Project.

Monitoring

The monitoring procedure mainly fulfils the requirements of the applied methodology and is deemed appropriate for the proposed project activity.

Calculation of ERUs

TÜV SÜD has assessed the calculations of project emissions, baseline emissions, leakage, and emission reductions. The parameters and equations presented in the PDD, as well as other applicable documents, have been compared with the information and requirements presented in the methodology and respective tools. The assumptions and data used to determine the emission reductions listed in the PDD and in all the sources have been checked. Based on the information reviewed it is confirmed that the sources used are correctly quoted and interpreted in the PDD and that the calculation of ERUs has been performed in a conservative way.

Given the Project is implemented as designed, the Project is likely to achieve the estimated amount of emission reductions, namely 3,109,867 tons in CO₂ equivalent, for the period from August 2009 until December 2012 as specified in the latest version of the PDD.

A comprehensive Project description and a description of the approach how the Project will reduce GHG emissions is included in the Final version of PDD, version 3, dated February 4, 2010.

3 ENVIRONMENTAL IMPACTS

The Environmental Impact Assessment (EIA) was conducted in accordance with the Federal law of Environmental Impact Assessment No. 174 dated November 23, 1995. The Project Participants carried out the EIA of project in accordance with the requirements and it has been approved by the Federal Public Institution “Main Authority of State Examination”. Positive conclusion No. 015-09/ЕГЭ-0601/01 dated January 12, 2009.



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The EIA of project considers all possible adverse environmental effects arising during construction, pre-installation and production. Due to environment protection measures foreseen by the Project No. 7755 “External gas transit system of Yety-Purovskoe oil-field”, the adverse environmental effects are estimated to be minimal.

On the basis of the TÜV SÜD host country expertise it can be confirmed that the project complies with the environmental legislation in Russian Federation.



4 CONCLUSION

TÜV SÜD has performed a determination of the following proposed JI project activity:

Yety-Purovskoe Oil Field Associated Gas Recovery and Utilization Project.

Based on the review of the final PDD, results of the on-site audit in June 15-19, 2009, and the follow-up interviews, TÜV SÜD concludes that the Project is in compliance with all JI requirements of the Kyoto Protocol, the UNFCCC, and relevant legislation in the host country. An analysis of the Project Additionality demonstrates that the proposed project activity is not a likely baseline scenario. Emission reductions attributable to the Project are additional to any emission reductions that would occur in the absence of the project activity and calculated in a conservative way.

Given that the Project is implemented as designed, the Project is likely to achieve an estimated amount of emission reductions of 3,109,867 tons in CO₂ equivalent for the period from August 2009 until December 2012.

The only purpose of this expert statement is its use during the Project registration process in the host country. TÜV SÜD can not be held liable by any party for decisions made or not made based on the expert statement, which will go beyond that purpose. The outcome of TÜV SÜD assessment refers exclusively to the final PDD version 03, dated 04.02.2010.

This report was prepared taking into account officially available regulations concerning JI project activities in the Host country. This excludes assertive and mandatory requirements of normative acts which will be appointed belated, i.e. following the signing date of this expert statement.

TÜV SÜD recommends the Project “Yety-Purovskoe Oil Field Associated Gas Recovery and Utilization Project” for the approval as JI Project under Track-1 procedure by the Designated Focal Point of the Russian Federation.

Munich, 09.03.2010

A handwritten signature in blue ink, appearing to read 'Thomas Kleiser'.

Thomas Kleiser

Certification Body “Climate and Energy”
TÜV SÜD Industrie Service GmbH