Bureau Veritas Certification Holding SAS

BUREAU VERITAS

BUREAU VERITAS
CERTIFICATION
Reviewed
Init
Date: 15/12/2011

DETERMINATION REPORT

JSC "GAZPROMNEFT-NOYABRSKNEFTEGAZ"

DETERMINATION OF THE "THE UTILIZATION OF ASSOCIATED PETROLEUM GAS (APG) OF THE SUGMUT OILFIELD JSC "GAZPROMNEFT - NOYABRSKNEFTEGAZ" TAKING INTO ACCOUNT THE EFFECTIVE USE OF APG OF THE ROMANOVO OILFIELD

REPORT NO. RUSSIA-DET/0201/2011

REVISION NO. 02

BUREAU VERITAS CERTIFICATION

Report No: RUSSIA-det/0201/2011 Rev.02

Determination Report on JI project

"The utilization of associated petroleum gas (APG) of the Sugmut oilfield JSC "Gazpromneft – Noyabrskneftegaz" taking into account the effective use of APG of the Romanovo oilfield"

Date of first issue:	Organizational unit:
11/12/2011	Bureau Veritas Certification Holding SAS
Client:	Client ref.:
JSC Gazpromneft- Noyabrskneftegaz"	Mr. Nikolay Eliseev

Summary:

Bureau Veritas Certification has made the determination of the project ""The utilization of associated petroleum gas (APG) of the Sugmut oilfield JSC "Gazpromneft – Noyabrskneftegaz" taking into account the effective use of APG of the Romanovo oilfield" of the company JSC Gazprom Neft on the basis of UNFCCC criteria for the JI, as well as criteria given to provide for consistent project operations, monitoring and reporting. UNFCCC criteria refer to Article 6 of the Kyoto Protocol, the JI rules and modalities and the subsequent decisions by the JI Supervisory Committee, as well as the host country criteria.

The determination scope is defined as an independent and objective review of the project design document, the project's baseline study, monitoring plan and other relevant documents, and consisted of the following three phases: i) desk review of the project design and the baseline and monitoring plan; ii) follow-up interviews with project stakeholders; iii) resolution of outstanding issues and the issuance of the final determination report and opinion. The overall determination, from Contract Review to Determination Report & Opinion, was conducted using Bureau Veritas Certification internal procedures.

The first output of the determination process is a list of Corrective Actions Requests presented in Appendix A. Taking into account this output, the project proponent revised its project design document.

In summary, it is Bureau Veritas Certification's opinion that the project applies the appropriate baseline and monitoring methodology and meets the relevant UNFCCC requirements for the JI and the relevant host country criteria.

Report No.:	Subject Group:
RUSSIA-det/0201/2011	JI
Project title: "The utilization of associated petroleum gas (APG) of the Sugmut oilfield JSC "Gazpromneft – Noyabrskneftegaz" taking into account the effective use of APG of the Romanovo oilfield"	
Work carried out by: Leonid Yaskin – Lead verifier	
Work reviewed by: Vladimir Lukin – Internal Technical Reviewer Alexey Kulakov - Specialist	
Work approved by: Leonid Yaskin – Operational Manager	

Date of this revision:	Rev. No.:	Number of pages:
13/12/2011	02	45

☒

☐ Limited distribution

☐ Unrestricted distribution

Abbreviations

AIE	Accredited Independent Entity
BVC	Bureau Veritas Certification
CAR	Corrective Action Request
CL	Clarification Request
CO2	Carbon Dioxide
DDR	Draft Determination Report
DR	Document Review
EIA	Environmental Impact Assessment
EIAR	Environmental Impact Assessment Report
ERU	Emission Reduction Unit
GHG	Greenhouse House Gas(es)
GPN	JSC Gazprom Neft
GPN-NNG	JSC Gazpromneft-Noyabrskneftegaz
IE	Independent Entity
IPCC	Intergovernmental Panel on Climate Change
IRR	Internal Rate of Return
ITR	Internal Technical Review
JI	Joint Implementation
JISC	Joint Implementation Supervisory Committee
NCSF	CJSC National Carbon Sequestration Foundation
NG	Natural gas
PDD	Project Design Document
PP	Project Participant
RF	Russian Federation
tCO2e	Tonnes CO2 equivalent
UNFCCC	United Nations Framework Convention for Climate Change

"The utilization of associated petroleum gas (APG) of the Sugmut oilfield JSC "Gazpromneft – Noyabrskneftegaz" taking into account the effective use of APG of the Romanovo oilfield"

Table of Contents *Page*

1 INTRODUCTION

JSC Gazprom Neft (hereafter called "GPN") in accordance with assignment of "Gazpromneft – Noyabrskneftegaz" has commissioned Bureau Veritas Certification to determine JI project "The utilization of associated petroleum gas (APG) of the Sugmut oilfield JSC "Gazpromneft – Noyabrskneftegaz" taking into account the effective use of APG of the Romanovo oilfield" (hereafter called "the project") located in the vicinity of cities Noyabrsk and Muravlenko, Pur district, Yamalo-Nenetsky autonomous okrug (YaNAO), Russian Federation.

This report summarizes the findings of the determination of the project, performed on the basis of UNFCCC criteria, as well as criteria given to provide for consistent project operations, monitoring and reporting.

1.1 Objective

The determination serves as project design verification and is a requirement of all projects. The determination is an independent third party assessment of the project design. In particular, the project's baseline, the monitoring plan (MP), and the project's compliance with relevant UNFCCC and host country criteria are determined in order to confirm that the project design, as documented, is sound and reasonable, and meets the stated requirements and identified criteria. Determination is a requirement for all JI projects and is seen as necessary to provide assurance to stakeholders of the quality of the project and its intended generation of emissions reductions units (ERUs).

UNFCCC criteria refer to Article 6 of the Kyoto Protocol, the JI rules and modalities and the subsequent decisions by the JI Supervisory Committee, as well as the host country criteria.

1.2 Scope

The determination scope is defined as an independent and objective review of the project design document, the project's baseline study and monitoring plan and other relevant documents. The information in these documents is reviewed against Kyoto Protocol requirements, UNFCCC rules and associated interpretations.

The determination is not meant to provide any consulting towards the Client. However, stated requests for clarifications and/or corrective actions may provide input for improvement of the project design.

1.3 Determination team

The determination team consists of the following personnel:

Leonid Yaskin

Bureau Veritas Certification Climate Change Lead Verifier

This determination report was reviewed by:

Vladimir Lukin
Bureau Veritas Certification, Internal reviewer

Alexey Kulakov
Bureau Veritas Certification, Climate Change Specialist

2 METHODOLOGY

The overall determination, from Contract Review to Determination Report & Opinion, was conducted using Bureau Veritas Certification internal procedures.

In order to ensure transparency, a determination protocol was customized for the project, according to the version 01 of the Joint Implementation Determination and Verification Manual, issued by the Joint Implementation Supervisory Committee at its 19 meeting on 04/12/2009. The protocol shows, in a transparent manner, criteria (requirements), means of determination and the results from determining the identified criteria. The determination protocol serves the following purposes:

- It organizes, details and clarifies the requirements a JI project is expected to meet;
- It ensures a transparent determination process where the determiner will document how a particular requirement has been determined and the result of the determination.

The completed determination protocol is enclosed in Appendix A to this report.

2.1 Review of Documents

The Project Design Document (PDD) submitted by GPN and additional background documents related to the project design and baseline, i.e. country Law, Guidelines for users of the joint implementation project design document form Guidance on criteria for baseline setting and monitoring, Kyoto Protocol, DVM Clarifications on Determination

Requirements to be checked by an Accredited Independent Entity were reviewed.

The PDD presents a revised version of the PDD which was earlier determined by the AIE. The new PDD applies another model for the baseline (soot flaring) and elaborates in more detail on leakage. These changes resulted in a decrease of the emission reduction. The need to issue an updated Expert Conclusion urged the AIE to undertake a full-round determination of the revised PDD.

To address Bureau Veritas Certification corrective action requests, GPN revised the original PDD Version 01 dated 10/12/2011 and resubmitted it as Version 02 dated 11/12/2011.

The first deliverable of the document review was the Determination Protocol Version 02 dated 11/12/2011 which contained 3 CARs.

The determination findings presented in this Determination Report Version 01 and Appendix A relate to the project as described in the PDD versions 01 and version 02 (final).

2.2 Follow-up Interviews

On 09/12/2011 the AIE performed an interview with the customer JSC "Gazprom Neft" and the PDD developer JSC "NCSF" to clarify rationale for the revision of the original PDD. Interviewees are listed in References. The main topics of the interviews are summarized in Table 1.

Table 1 Interview topics

Interviewed organization	Interview topics
JSC "Gazprom Neft"	➢ Reasoning for PDD revision ➢ Status of LoA ➢ Availability of documents Maximum Permissible Emission
CONSULTANT NCSF	➢ Baseline scenario ➢ Revision of baseline theoretical description ➢ Applicability of soot flaring model by NII Atmosphere ➢ Sources of leakage
Stakeholders	➢ N/A

2.3 Resolution of Clarification and Corrective Action Requests

The objective of this phase of the determination is to raise the requests for corrective actions and clarification and any other outstanding issues that needed to be clarified for Bureau Veritas Certification positive conclusion on the project design.

If Bureau Veritas Certification, in assessing the PDD and supporting documents, identifies issues that need to be corrected, clarified or improved with regard to JI project requirements, it should raise these issues and inform the project participants of these issues in the form of:

(a) Corrective action request (CAR), requesting the project participants to correct a mistake in the published PDD that is not in accordance with the (technical) process used for the project or relevant JI project requirement or that shows any other logical flaw;

(b) Clarification request (CL), requesting the project participants to provide additional information for Bureau Veritas Certification to assess compliance with the JI project requirement in question;

(c) Forward action request (FAR), informing the project participants of an issue, relating to project implementation but not project design, that needs to be reviewed during the first verification of the project.

Bureau Veritas Certification should make an objective assessment as to whether the actions taken by the project participants, if any, satisfactorily resolve the issues raised, if any, and should conclude its findings of the determination.

To guarantee the transparency of the verification process, the concerns raised are documented in more detail in the verification protocol in Appendix A.

3 PROJECT DESCRIPTION (QUOTED FROM THE REVISED PDD)

The Sugmut oilfield is located in 95 km north-westward from the city of Noyabrsk; and in 50 km westward from the city of Muravlenko, the Yamal-Nenets Autonomous Okrug (Area), Western Siberia. The oilfield has been under development since 1970. Commercial production started in 1995. The Romanovo oilfield, located on the territories of districts Purovsky and Nadymovsky, Yamalo-Nenetzky autonomous okrug. The Romanovo oilfield was discovered in 1987, and its development started in 2000. Currently the both oilfields are being developed and operated by JSC

"Gazpromneft-Noyabrskneftegaz" (GPN-NNG), a subsidiary company of Moscow-based JSC "Gazprom neft" (GPN).

In process of oil treatment at the booster pump stations (BPS) #1,2,3,3A of Sugmut oilfield associated petroleum gas is separated from the crude oil. Some part of extracted APG from Sugmut oilfield as well as whole APG separated from the crude oil on Romanovo oil-field (not efficient use at this oilfield) has been historically directed under the pressure of separation through the existing field gas pipeline to Muravlenko gas processing plant (GPP) owned by «Sibur Holding».Remaining bigger volume of the separated APG has been burned at the flares of BPS-1,2,3,3A of Sugmut oilfield as the Company had no economic incentive to efficiently utilize it.

Project purpose

The project is aimed at the efficient utilization of associated petroleum gas (APG) that otherwise would have been flared at the BPS # 1,2,3,3A of the Sugmut oilfield and hence at reduction of CO2 and CH4 emissions under condition of the efficient use of APG of the Romanovo oilfield. GPN-NNG expects that the sales of emission reduction units (ERUs) under Joint Implementation mechanism of Kyoto Protocol will improve the economic efficiency of the project.

Project description

Having at disposal a considerable APG resource Gazpromneft-Noyabrskneftegaz Company undertakes activities to increase the level of its efficient utilization. For this purpose, the project envisages the construction of a new 71.3 km gas pipeline (looping) with diameter of 720 mm in parallel with the existing field pipeline with a diameter of 430mm from the BPS-2 of Sugmut oilfield to Muravlenko GPP (Sibur Holding), as well as laying of a new 8,5 km gas pipeline section with a diameter of 530mm to the BPS-3A of Sugmut oilfield.
These new gas pipelines increase the throughput capacity of the gas transmission system at the Sugmut oilfield and provide the necessary transportation of the most part of APG under the separation pressure from all BPS of the field to Muravlenko GPP.

At Muravlenko GPP project APG as well as APG from Romanovo oilfield is processed with the yield of the dry stripped gas and NGLs. The dry gas is compressed under high pressure into the main gas pipeline «Urengoy-Chelyabinsk» and NGL are fed into the condensate pipeline «Urengoy-Surgut».

Project history:

February 2007. Presentation had been prepared by the date of Meeting of Investment Committee of JSC "Gazprom neft" with the estimates of the economic efficiency for APG utilization projects at Sugmut and Romanovo oilfield. It showed that these projects are economically unprofitable, but due to considerable CO2 emission reductions the purpose of using the earnings from ERUs sales for improving the economic efficiency of the projects was set. Therefore, by decision fixed in the Minutes of the Meeting of Investment Committee # 6 taking place at JSC "Gazprom neft" on 16.02.2007 it was determined to implement this project with applying the norms of the Kyoto Protocol.

April 2007. Cost estimate documentation for the project was approved.

May 2007. Construction works started.

December 2007. Commissioning of the project took place on 26.12.2007.

Baseline scenario

Under the baseline scenario all extracted APG at the BPS-1,2,3,3A of the Sugmut and Romanovo oilfield (except historically utilized APG volume) would have been flared that would lead to considerable CO2 and CH4 emissions (as a result of incomplete flare combustion).

Continuation of flaring under this scenario is determined by the lack of sufficient incentives for APG utilization project, which is confirmed by the following facts:

- At the time of decision-making sectoral policies and legislation did not provide real mechanisms for efficient APG utilization;
- Considerable capital expenditures for establishing APG utilization infrastructure and low APG costs and hence,
- Lack of investment attractiveness of these project types.

Emission reductions

As a result the project activity will lead to prevention of APG flaring in amount of 943,183 ths.m3 in the period of 2008-2012. That will result in a considerable amount of CO2 emission reductions, which make 2,710,960tCO2e over the mentioned period.

4 DETERMINATION CONCLUSIONS

In the following sections, the conclusions of the determination are stated.

The findings from the desk review of the project design document and the follow-up interviews are described in the Determination Protocol in Appendix A.

The Corrective Action Requests are stated, where applicable, in the following sections and are further documented in the Determination Protocol in Appendix A. The determination of the Project resulted in 4 Corrective Action Requests.

The number between brackets at the end of each section corresponds to the DVM paragraph.

4.1 Project approvals by Parties involved (19-20)

The project has no approval by the Host Party, therefore CAR 02 remains pending.

4.2 Authorization of project participants by Parties involved (21)

The participation for JSC "Gazpromneft-Noyabrskneftegaz" listed as project participant in the PDD is not authorized by the Host Party because the project approval by the Host Party was not received.

The authorization is deemed to be carried out through the issuance of the project approval.

Contact data on the project participant were indicated in PDD Annex 1 in response to CAR 01.

4.3 Baseline setting (22-26)

The PDD explicitly indicates that using a methodology for baseline setting and monitoring developed in accordance with appendix B of the JI guidelines (hereinafter referred to as JI specific approach) was the selected approach for identifying the baseline.

JI specific approach

The PDD provides a detailed theoretical description in a complete and transparent manner, as well as justification, that the baseline is established:

a) By listing and describing the following plausible future scenarios 1 and 2 on the basis of conservative assumptions and selecting the most plausible being Scenario 1:

1 Continuation of common practice for APG utilization, i.e. the combustion of APG in the flares at BPS-1,2,3,3A at the Sugmut oilfield;

2 The project itself (without being registered as a JI activity), i.e. construction of the new pipeline from the BPS-2 Sugmut oilfield to Muravlenko GPP for increase of efficient APG utilization produced by BPS-1,2,3,3A by its injection into the new gas pipeline and feeding to Muravlenko GPP.

b) Taking into account relevant key factors that affect a baseline, such as sectoral reform policies and legislation, economic situation in oil&gas sector in terms of APG utilization, availability of capital (including investment barrier), APG prices.

c) Generally in a transparent manner with regard to the choice of approaches, assumptions, methodologies, parameters, data sources and key factors

d) Taking into account of uncertainties and using conservative assumptions.

e) In such a way that ERUs cannot be earned for decreases in activity levels outside the project or due to force majeure.

f) By drawing of the list of standard variables contained in appendix B to Guidance on criteria for baseline and monitoring.

The PDD Section B.1 contains a detailed theoretical description of the baseline.

The baseline applies the model of APG soot flaring as per the official NII Atmosphere Methodology. Appropriate evidence of applicability of the model was provided to the AIE.

The grid emission factor is taken from the JI-0216 determined by the AIE.

Yearly emissions from APG flaring are calculated by the monthly APG composition with the lowest CH4 share.

Emissions outside the project boundary mitigated by the project are taken into account include leaks of natural gas (NG) at production (Gazprom data of 2008, 2009, and 2010) and compression (at lower pressure ratio than for APG under the project activity).

All explanations, descriptions and analyses pertaining to the baseline in the PDD are made in accordance with the referenced JI specific approach and the baseline is identified appropriately.

4.4 Additionality (27-31)

JI specific approach

The applied JI-specific approach is based on a rationale that the project activity would not have occurred otherwise due to existence of the financial barrier and that this project is not a common practice.

Traceable and transparent information showing that the baseline was identified on the basis of conservative assumptions, that the project scenario is not part of the identified baseline scenario and that the project will lead to reductions of anthropogenic emissions by sources of GHGs was provided In PDD Section B.2.

To demonstrate the additionality of the project three steps were implemented:

- Step 1: Indication and description of the approach applied;
- Step 2: Application of the approach chosen;
- Step 3: Provision of additionality proofs.

Financial barrier was justified through the investment analysis complemented by the sensitivity analysis. For both analyses, calculation of the project's financial efficiency in terms of NPV was carried out. Input data for the analyses including investment costs, operation costs, amortization and other parameters referring to expenses, as well as revenues from APG sale were provided to the AIE and were positively determined. Discount rate was taken 15% as per Gazpromneft Order # 142 dated 22/06/2006. The spreadsheet with the investment and sensitivity analyses was made available for the verifier.

The common practice analysis has reasonably shown that the proposed JI project does not represent a widely observed practice in the geographical area concerned.

The AIE determines that additionality is demonstrated appropriately as a result of the analysis using the approach chosen.

4.5 Project boundary (32-33)

JI specific approach

The project boundary defined in the PDD, Section B.3, Table B.3-1 for project and baseline scenario accordingly, encompasses all anthropogenic emissions by sources of greenhouse gases (GHGs) that are:

(i) Under the control of the project participants such as:

- CO2 baseline emissions from APG flaring;
- CH4 baseline emissions from incomplete flaring of APG;

(ii) Reasonably attributable to the project activity such as:
- CH4 fugitive leaks from APG transporting to the Muravlenko GPP in cource of the project activity.

(iii) Significant such as:
- All the sources mentioned above.

Other emission sources reasonably attributable to the project activity but occurring/would have been occurred outside the project boundary are treated as contributing to the leakage. These the following:

- Fugitive leaks from the production of equivalent volume of natural gas (NG);
- Emissions from fossil fuel combustion at the gas turbine drives of compressors at NG treatment plants.
- Emission from tech losses during the processing APG due to the project activity;
- Emission from electricity consumption due to the project activity;

The delineation of the project boundary and the gases and sources included are appropriately described and justified in the PDD, Section B.3.

Based on the above assessment, the AIE hereby confirms that the identified boundary and the selected sources and gases are justified for the project activity.

Outstanding issues related to Project boundary (32-33), PP's response and the AIE conclusion are summarized in Appendix A (refer to CAR 03):
- CAR 03 concerns the inclusion of methane emissions that occur during transportation of APG through new pipeline to Muravlenko in the project emission. In PDD, they are mistakenly treated as leakage.

4.6 Crediting period (34)

The PDD states the starting date of the project as the date on which the implementation or construction or real action of the project began, and the starting date is 01/05/2007, which is after the beginning of 2000.

The PDD states the expected operational lifetime of the project in years and months, which is 13 years and 4 months or 160 months: from 01.01.2008 till 01.05.2020.

The PDD states the length of the crediting period in years and months, which is 5 years or 60 months, and its starting date as 01/01/2008, which

is on the date of the first emission reductions that are generated by the project.

4.7 Monitoring plan (35-39)

The PDD, in its monitoring plan section, explicitly indicates that JI specific approach was selected.

JI specific approach

The monitoring plan describes all relevant factors and key characteristics that will be monitored, and the period in which they will be monitored, in particular also all decisive factors for the control and reporting of project performance, such as:

- Chemical composition of APG at BPS-1,2,3,3A;
- Total volume of APG transported to the Muravlenko GPP;
- Volume of APG transported to the Muravlenko GPP through the new pipeline under the project activity;
- Specific electricity consumption coefficient at Muravlenko GPP during processing of APG under the project activity;
- Specific losses coefficient from processing operations at Muravlenko GPP under the project activity.

The monitoring plan specifies the indicators, constants and variables that are reliable (i.e. provide consistent and accurate values), valid (i.e. be clearly connected with the effect to be measured), and that provide a transparent picture of the emission reductions to be monitored such as those listed in the PDD, Sections D.1.1.1, D.1.1.3, and D.1.3.1.

The monitoring plan is developed subject to the list of standard variables contained in appendix B of "Guidance on criteria for baseline setting and monitoring" developed by the JISC.

All categories of data to be collected in order to monitor GHG emissions from the project and determine the baseline emission (Option 1 changed from Option 2 in response to ITR) are described in required details.

The monitoring plan explicitly and clearly distinguishes:

(i) Data and parameters that are not monitored throughout the crediting period, but are determined only once (and thus remain fixed throughout the crediting period), and that are available already at the stage of determination, such as:

- CO2 density;
- CH4 density;
- APG flaring efficiency at BPS-1,2,3,3A;

- Global Warming Potential of methane;
- Grid emission factor.

(ii) Data and parameters that are not monitored throughout the crediting period, but are determined only once (and thus remain fixed throughout the crediting period), but that are not already available at the stage of determination (there are no such parameters).

(iii) Data and parameters that are monitored throughout the crediting period, such as those presented in Section D.1.1.2 for project emission, Section D.1.1.4 for baseline emission, and Section D.1.3.1 for the leakage.

Step-by-step application of the used approach for monitoring is described in PDD Section D including monitoring procedures, formulae, parameters, data sources etc.

The monitoring plan describes the methods employed for data monitoring (including its frequency) and recording; please refer to PDD, Sections D.1.2.1 and D.1.3.1.

The monitoring plan elaborates all algorithms and formulae used for the estimation/calculation of baseline emissions, project emissions and leakage, as appropriate, such as formulae in Section D.1.1.1 for baseline emissions, Section D.1.1.3 for project emissions and Section D.1.3.2 for leakage.

The monitoring plan presents the quality assurance and control procedures for the monitoring process, all the QC/QA procedures are specified in PDD Section D.2

The procedures include, as appropriate, information on calibration and on how records on data and/or method validity and accuracy are kept and made available on request.

The monitoring plan clearly identifies the responsibilities and the authority regarding the monitoring activities. The operating and management structure for GHG monitoring is described in PDD Section D.3, Figure D.3. The responsibilities and the authority regarding the monitoring activities are provided in a tabular form in the Section D.3.

On the whole, the monitoring report reflects good monitoring practices appropriate to the project type.

The monitoring plan provides, in tabular form, a complete compilation of the data that need to be collected for its application, including data that are measured but not including data that are calculated with equations.

The monitoring plan indicates that the data monitored and required for verification are to be kept for five years after the last transfer of ERUs for the project.

4.8 Leakage (40-41)

JI specific approach

The PDD considers potential emissions outside the project boundary attributable to:

(a) the project, that is emissions from electricity consumption due to the project activity; emissions from tech losses during the processing APG due to the project activity;, and

(b) the baseline, that is leakage from leaks at production of equivalent volume of natural gas (NG); leakage from fossil fuel consumption by gas turbine drives of compressors at NG treatment plant.

Description of leakage is provided in the PDD Sections B.1, B.3 and D.1.3.2.

4.9 Estimation of emission reductions or enhancements of net removals (42-47)

JI specific approach

The PDD indicates assessment of direct emission reductions to estimate the emission reductions of the project.

The PDD provides the ex ante estimates of:

(a) Baseline emissions: 3,100,054 tCO2e

(b) Project emissions: 15,518 tCO2e;

(c) Leakage: 373,576 tCO2e;

(d) Emission reductions adjusted by leakage (a)-(b): 2,710,960 tCO2e.

Reporting period: From 01/01/2008 to 31/12/2012.

For the formulae used for calculating the estimates please refer to the PDD, Sections D.1.2.2, D.1.3.2, and D.1.4.

For calculating the estimates referred to above, key factors defined in the monitoring plain influencing the project and baseline emissions were taken into account, as appropriate.

The estimation referred to above is based on conservative assumptions and the most plausible scenario in a transparent manner.

The estimates referred to above are consistent throughout the PDD.

The annual average of estimated emission reductions over the crediting period is calculated by dividing the total estimated emission reductions over the crediting period by the number of months of the crediting period, and multiplying by twelve.

The PDD Section E includes an illustrative ex ante emissions calculation.

4.10 Environmental impacts (48)

The PDD lists documentation on the analysis of the environmental impacts of the project (transboundary impacts are not applicable to the project), carried out in accordance with procedures as determined by the host Party, e.g. Resolution of State Committee for Ecology and Natural Resources of the Russian Federation dated 15.04.2000, # 372 "On compliance with regulations regarding the planned economic (and other) actions and their ecological impact".

The PDD provides conclusion on the environmental impact and related references to supporting documentation of the EIA undertaken in accordance with the procedures as required by the host Party.

4.11 Stakeholder consultation (49)

Stakeholder consultation was not undertaken as it is not required by the host Party for such type of projects.

4.12 Determination regarding small scale projects (50-57)

Not applicable

4.13 Determination regarding land use, land-use change and forestry (LULUCF) projects (58-64)

Not applicable

4.14 Determination regarding programmes of activities (65-73)

Not applicable

5 SUMMARY AND REPORT OF HOW DUE ACCOUNT WAS TAKEN OF COMMENTS RECEIVED PURSUANT TO PARAGRAPH 32 OF THE JI GUIDELINES

No comments, pursuant to paragraph 32 of the JI Guidelines, were received.

6 DETERMINATION OPINION

Bureau Veritas Certification has performed a determination of the "The utilization of associated petroleum gas (APG) of the Sugmut oilfield JSC "Gazpromneft – Noyabrskneftegaz" taking into account the effective use of APG of the Romanovo oilfield" project in Russia. The determination was performed on the basis of UNFCCC criteria and host country criteria and also on the criteria given to provide for consistent project operations, monitoring and reporting.

The determination consisted of the following three phases: i) a desk review of the project design and the baseline and monitoring plan; ii) follow-up interviews with project stakeholders; iii) the resolution of outstanding issues and the issuance of the final determination report and opinion.

Project participant used the JI specific approach for demonstration of the additionality. In line with this approach, the PDD provides the financial barrier analysis and common practice analysis, to determine that the project activity itself is not the baseline scenario.

Emission reductions attributable to the project are hence additional to any that would occur in the absence of the project activity. Given that the project is implemented and maintained as designed, the project is likely to achieve the estimated amount of emission reductions.

The review of the project design documentation and the subsequent follow-up interviews have provided Bureau Veritas Certification with sufficient evidence to determine the fulfilment of stated criteria.

The determination revealed two pending issues related to the current determination stage of the project: the issue of the written approval of the project and the authorization of the project participant by the host Party. If the written approval and the authorization by the host Party are awarded, it is our opinion that the project as described in the Project Design Document, Version 02 dated 11/12/2011 meets all the relevant UNFCCC requirements for the determination stage and the relevant host Party criteria.

The determination is based on the information made available to us and the engagement conditions detailed in this report.

7 REFERENCES

Category 1 Documents:
Documents provided by project participant that relate directly to the GHG components of the project.

/1/ "The utilization of associated petroleum gas (APG) of the Sugmut oilfield JSC "Gazpromneft – Noyabrskneftegaz" taking into account the effective use of APG of the Romanovo oilfield", PDD Version 02 dated 11/12/2011.

/2/ Excel spreadsheet with calculation of emission reduction "Sugmut calculations 18 08 2011 (with Rom) 09 12" received 11/12/2011.

/3/ Excel spreadsheet with investments calculation "economics Sveto EN ver 4.3"

Category 2 Documents:
Background documents related to the design and/or methodologies employed in the design or other reference documents.

/1/ Guidelines for Users of the Joint Implementation Project Design Document Form/Version 04, JISC.

/2/ JISC Guidance on criteria for baseline setting and monitoring. Version 03.

/3/ Glossary of Joint Implementation terms. Version 02, JISC.

/4/ 2006 IPCC Guidelines on National Greenhouse Gas Inventories, Volume 2, Energy.

/5/ "Regulation of realization of Article 6 of Kyoto Protocol to United Nation Framework Convention on Climate Change". Approved by the RF Government Decree # 843 of 28/10/2009 "About measures on realization of Article 6 of Kyoto Protocol to United Nation Framework Convention on Climate Change".

/6/ Protocol of investment meeting at 16 February 2007.

/7/ Presentation of the project for APG utilization at Sugmut and Romanovo oilfields.

/8/ Positive conclusion of State Expertise on pipeline from Sugmut to Muravlenko #418-08/EGE-0500/1 from 18.11.08.

/9/ Order of Gazprom Neft #142 from 22.06.06.

/10/ Final inspection record for multi-turn actuators SA 07.1 – SA 48.1.

/11/ Information Letter # 321 from 11.03.11. from Noyabrsky GPK (Sibur).

/12/ Information Letter # 1670 from 11.11.10 from Noyabrsky GPK (Sibur).

/13/ Project of testing of Sugmut oilfield, Volume 2, book 1, part 1.

/14/ Order #345 from 20.09.07 on implementation of pipeline from Romanovo oilfield.

Persons interviewed:

List persons interviewed during the determination or persons that contributed with other information that are not included in the documents listed above.

/1/ N. Eliseev – Head of gas and liquid hydrocarbons department, GPN;

/2/ V. Basevich – Head of management in the department of gas and liquid hydrocarbons department, management of gas refining marketing and liquid hydrocarbons sell, GPN;

/3/ V. Akimov – Head of gas mine and preparation department, deputy head of gas and oil preparation department, GPN-NNG;

/4/ Yu. Fedorov – General Director, NCSF;

/5/ M. Latypov – Head project development department, NCSF;

/6/ T. Besedovsky – Chief consultant, NCSF.

DETERMINATION PROTOCOL

Table 1

Check list for determination, according JOINT IMPLEMENTATION DETERMINATION AND VERIFICATION MANUAL (REVISION 02)

DVM Paragraph	Check Item	Initial finding	Draft Conclusion	Final Conclusion
General description of the project				
Title of the project				
-	Is the title of the project presented?	The title of the project is "The utilization of associated petroleum gas (APG) of the Sugmut oilfield JSC "Gazpromneft – Noyabrskneftegaz" taking into account the effective use of APG of the Romanovo oilfield".		OK
-	Is the sectoral scope to which the project pertains presented?	Sectoral scope: 10. Fugitive emissions from fuels (solid, oil and gas).		OK
-	Is the current version number of the document presented?	PDD Version: 01.		OK
-	Is the date when the document was completed presented?	The date of PDD completion: 09.12.2011.		OK
Description of the project				
-	Is the purpose of the project included with a concise, summarizing explanation (max. 1-2 pages) of the: a) Situation existing prior to the starting date of the project; b) Baseline scenario; and c) Project scenario (expected outcome, including a technical description)?	Requirements a), b), c) to the description of the project are met including its purpose. PDD reads: "The project is aimed at the efficient utilization of associated petroleum gas (APG) that otherwise would have been flared at the BPS # 1,2,3,3A of the Sugmut oilfield and hence at reduction of CO2 and CH4 emissions under condition of the efficient use of APG of the Romanovo oilfield. GPN-NNG expects that the sales of emission reduction units (ERUs) under Joint Implementation mechanism of Kyoto Protocol will improve the economic efficiency of the project".		OK

DVM Paragraph	Check Item	Initial finding	Draft Conclusion	Final Conclusion
-	Is the history of the project (incl. its JI component) briefly summarized?	The history of the project including its JI component is briefly summarised as follows: "**.** Presentation had been prepared by the date of Meeting of Investment Committee of JSC "Gazpromneft" with the estimates of the economic efficiency for APG utilization projects at Sugmut and Romanovo oilfield. It showed that these projects are economically unprofitable, but due to considerable CO2 emission reductions the purpose of using the earnings from ERUs sales for improving the economic efficiency of the projects was set. Therefore, by decision fixed in the Minutes of the Meeting of Investment Committee # 6 taking place at JSC "Gazpromneft" on 16.02.2007 it was determined to implement this project with applying the norms of the Kyoto Protocol. April 2007. Cost estimate documentation for the project was approved. May 2007. Construction works started. December 2007. Commissioning of the project took place on 26.12.2007".		OK
Project participants				
-	Are project participants and Party(ies) involved in the project listed?	Project participants are listed in Section A.3. Party A – Russian Federation with project participant JSC Gazpromneft-Noyabrskneftegaz, Party B is not determined.		OK
-	Is the data of the project participants presented in tabular format?	The data of the project participants is presented in tabular format.		OK
-	Is contact information provided in Annex 1 of the PDD?	Contact information is provided in Annex 1 of the PDD. **CAR 01.** Please provide the contact data of the project	CAR 01	OK

DVM Paragraph	Check Item	Initial finding	Draft Conclusion	Final Conclusion
		participant contact person.		
-	Is it indicated, if it is the case, if the Party involved is a host Party?	The indicated Host party is the Russian Federation.		OK
Technical description of the project				
Location of the project				
-	Host Party(ies)	The Russian Federation.		OK
-	Region/State/Province etc.	Yamalo-Nenetsky autonomous okrug (YaNAO).		OK
-	City/Town/Community etc.	Pur district, 95 km north-westward from the city of Noyabrsk and 50 km westward from the city of Muravlenko.		OK
-	Detail of the physical location, including information allowing the unique identification of the project. (This section should not exceed one page)	Detail of the physical location of the project was provided.		OK
Technologies to be employed, or measures, operations or actions to be implemented by the project				
-	Are the technology(ies) to be employed, or measures, operations or actions to be implemented by the project, including all relevant technical data and the implementation schedule described?	The project envisages the construction of a new 71.3 km gas pipeline (looping) with diameter of 720 mm in parallel with the existing field pipeline with a diameter of 430mm from the BPS-2 of Sugmut oilfield to Muravlenko GPP (Sibur Holding), as well as laying of a new 8,5 km gas pipeline section with a diameter of 530mm to the BPS-3A of Sugmut oilfield. Please refer to PDD Figure 4.2.3. These new gas pipelines increase the throughput capacity of the gas transmission system at the Sugmut oilfield and provide the necessary transportation of the most part of APG under the separation pressure from all BPS of the field to Muravlenko GPP.		OK

DVM Paragraph	Check Item	Initial finding	Draft Conclusion	Final Conclusion
		At Muravlenko GPP the project APG as well as APG from Romanovo oilfield, which comes to Muravlenko through the old pipeline, is processed with the yield of the dry stripped gas and NGLs. The dry gas is compressed under high pressure into the main gas pipeline «Urengoy-Chelyabinsk» and NGL are fed into the condensate pipeline «Urengoy-Surgut». Romanovo oilfield is within the project boundary.		
Brief explanation of how the anthropogenic emissions of greenhouse gases by sources are to be reduced by the proposed JI project, including why the emission reductions would not occur in the absence of the proposed project, taking into account national and/or sectoral policies and circumstances				
-	Is it stated how anthropogenic GHG emission reductions are to be achieved? (This section should not exceed one page)	Under the project activity the considerable volume of separated APG that was previously flared will be efficiently used through its directing into the new gas pipeline (looping) and transportation to the Muravlenko GPP for processing with the yield of the dry stripped gas and gas liquids. This will prevent the CO_2 and CH_4 emissions, which would have been under the baseline scenario in the case of flaring this APG volume on the BPS-1,2,3,3A flaring facilities.		OK
-	Is it provided the estimation of emission reductions over the crediting period?	It is provided.		OK
-	Is it provided the estimated annual reduction for the chosen credit period in tCO2e?	It is provided.		OK
-	Are the data from questions above presented in tabular format?	The data from the questions above is presented in tabular format. Please refer to Section A.4.3.1.		OK
Estimated amount of emission reductions over the crediting period				
-	Is the length of the crediting period Indicated?	The length of the crediting period is 5 years. Please refer to		OK

DVM Paragraph	Check Item	Initial finding	Draft Conclusion	Final Conclusion
		the section A.4.3.1.		
-	Are estimates of total as well as annual and average annual emission reductions in tonnes of CO2 equivalent provided?	The estimates of total and annual emission reductions were provided in section A.4.3.1 in tonnes of CO2 equivalent.		OK
Project approvals by Parties				
19	Have the DFPs of all Parties listed as "Parties involved" in the PDD provided written project approvals?	**CAR 02.** The project has no approval of the host Party.	CAR 02	Pending
19	Does the PDD identify at least the host Party as a "Party involved"?	The host Party involved is the Russian Federation.		OK
19	Has the DFP of the host Party issued a written project approval?	No, pending a response to CAR 02.	Pending	Pending
20	Are all the written project approvals by Parties involved unconditional?	Yes, the written project approvals are unconditional.		OK
Authorization of project participants by Parties involved				
21	Is each of the legal entities listed as project participants in the PDD authorized by a Party involved, which is also listed in the PDD, through: − A written project approval by a Party involved, explicitly indicating the name of the legal entity? or − Any other form of project participant authorization in writing, explicitly indicating the name of the legal entity?	The authorization of JSC "Gazpromneft-Noyabrskneftegaz" is deemed to be received together with the project approval by the host Party. Conclusion is pending a response to CAR 02.	Pending	Pending
Baseline setting				
22	Does the PDD explicitly indicate which of the following approaches is used for identifying the baseline?	It is explicitly indicated that the JI specific approach was applied for identifying the baseline.		OK

DVM Paragraph	Check Item	Initial finding	Draft Conclusion	Final Conclusion
	− JI specific approach − Approved CDM methodology approach			
	JI specific approach only			
23	Does the PDD provide a detailed theoretical description in a complete and transparent manner?	The Section B.1 contains a detailed theoretical description of the baseline. The baseline applies the model of APG soot flaring as per the official NII Atmosphere Methodology. Appropriate evidence of the model applicability was provided to the AIE. The grid emission factor is taken from the JI-0216 determined by the AIE. Yearly emissions from APG flaring are calculated by the monthly APG composition with the lowest CH4 share. Baseline leakage is taken into account consisting of leaks of natural gas (NG) at production (Gazprom data of 2008, 2009, and 2010) and compression (at lower pressure ratio than for APG under the project activity). Baseline leakage at NG transportation from the production site to the compressor station is neglected what is conservative.		
23	Does the PDD provide justification that the baseline is established: (a) By listing and describing plausible future scenarios on the basis of conservative assumptions and selecting the most plausible one? (b) Taking into account relevant national and/or sectoral policies and circumstance? − Are key factors that affect a baseline taken	The baseline is established basically: (a) By listing and describing future scenarios available for the project owner JSC "Gazpromneft-Noyabrskneftegaz" and selecting the least negatively influenced by the key factors. Two alternative scenarios (AS) for the APG treatment at the Sugmut oil field were listed and described as follows: AS1. Continuation of common practice for APG utilization, i.e. the combustion of APG in the flares at BPS-1,2,3,3A at		OK

DVM Paragraph	Check Item	Initial finding	Draft Conclusion	Final Conclusion
	into account? (c) In a transparent manner with regard to the choice of approaches, assumptions, methodologies, parameters, date sources and key factors? (d) Taking into account of uncertainties and using conservative assumptions? (e) In such a way that ERUs cannot be earned for decreases in activity levels outside the project or due to force majeure? (f) By drawing on the list of standard variables contained in appendix B to "Guidance on criteria for baseline setting and monitoring", as appropriate?	the Sugmut oilfield; AS2. The project itself (without being registered as a JI activity), i.e. construction of the new pipeline from the BPS-2 Sugmut oilfield to Muravlenko GPP for increase of efficient APG utilization produced by BPS-1,2,3,3A by its injection into the new gas pipeline and feeding to Muravlenko GPP. (b) By analysis of influence of key factors such as sectoral reform policies and legislation, economic situation in oil&gas sector in terms of APG utilization, availability of capital (including investment barrier), APG prices. This analysis resulted in a conclusion that alternative AS1 is the baseline scenario. (c) Generally in a transparent manner with regard to the choice of approaches, assumptions, methodologies, parameters, data sources and key factors (d) Taking into account of uncertainties and using conservative assumptions. (e) In such a way that ERUs cannot be earned for decreases in activity levels outside the project or due to force majeure. (f) By drawing of the list of standard variables contained in appendix B to Guidance on criteria for baseline and monitoring. The key information and data used to establish the baseline is provided in the required tabular forms. The baseline information is duplicated in Annex A.		
24	If selected elements or combinations of	N/A		OK

DVM Paragraph	Check Item	Initial finding	Draft Conclusion	Final Conclusion
	approved CDM methodologies or methodological tools for baseline setting are used, are the selected elements or combinations together with the elements supplementary developed by the project participants in line with 23 above?			
25	If a multi-project emission factor is used, does the PDD provide appropriate justification?	The grid emission factor was taken from the determined PDD of JI-0216. "Installation of two CCGT-400 at Surgutskaya TPP-2, OGK-4, Tyumen area, Russia" The AIE determined the referred project and confirms this value.		OK
Approved CDM methodology approach only_Paragraphs 26(a) – 26(d)_Not applicable				
Additionality				
JI specific approach only				
28	Does the PDD indicate which of the following approaches for demonstrating additionality is used? (a) Provision of traceable and transparent information showing the baseline was identified on the basis of conservative assumptions, that the project scenario is not part of the identified baseline scenario and that the project will lead to emission reductions or enhancements of removals; (b) Provision of traceable and transparent information that an AIE has already positively determined that a comparable project (to be) implemented under comparable circumstances has additionality; (c) Application of the most recent version of	It is explicitly indicated that a JI-specific approach is chosen for justification of additionality. For this purpose provision (a) is chosen defined in paragraph 2 of the Annex I to the Guidance on criteria for baseline setting and monitoring version 02.		OK

DVM Paragraph	Check Item	Initial finding	Draft Conclusion	Final Conclusion
	the "Tool for the demonstration and assessment of additionality. (allowing for a two-month grace period) or any other method for proving additionality approved by the CDM Executive Board".			
29 (a)	Does the PDD provide a justification of the applicability of the approach with a clear and transparent description?	A JI-specific approach is based on an rationale that the project activity would not have occurred otherwise due to existence of the financial barrier and that this project is not a common practice.		OK
29 (b)	Are additionality proofs provided?	To demonstrate the additionality of the project three steps were implemented: - Step 1: Indication and description of the approach applied; - Step 2: Application of the approach chosen; - Step 3: Provision of additionality proofs. Also an analysis of common practice was reasonably applied. Financial barrier was justified through the investment analysis complemented by the sensitivity analysis. Both analyses included calculation of the project's financial efficiency in terms of NPV. Input data for the analyses including investment costs, operation costs, amortization and other parameters referring to expenses, as well as revenues from APG sale were provided to the AIE and were positively determined. Discount rate was taken 15% as per Gazpromneft Order # 142 dated 22/06/2006. The common practice analysis has proven that the project		OK

DVM Paragraph	Check Item	Initial finding	Draft Conclusion	Final Conclusion
		activity is not the common practice in Russian oil industry.		
29 (c)	Is the additionality demonstrated appropriately as a result?	The additionality of the project is appropriately demonstrated.		OK
30	If the approach 28 (c) is chosen, are all explanations, descriptions and analyses made in accordance with the selected tool or method?	N/A		OK
Approved CDM methodology approach only_ Paragraphs 31(a) – 31(e)_Not applicable				
Project boundary (applicable except for JI LULUCF projects				
JI specific approach only				
32 (a)	Does the project boundary defined in the PDD encompass all anthropogenic emissions by sources of GHGs that are: (i) Under the control of the project participants? (ii) Reasonably attributable to the project? (iii) Significant?	The project boundary defined in the PDD encompasses the anthropogenic emissions by sources of GHGs in the baseline scenario (refer to Section B.3): that is CO2 from APG flaring and CH4 from methane incomplete combustion. N2O emissions from flaring were reasonably excluded from consideration. Also leakage sources associated with the baseline and project activity were treated: some were included and some reasonably excluded. **CAR 03**. Please include the methane emissions that occur during transportation of APG through new pipeline to Muravlenko in the project emission. In PDD, they are mistakenly treated as leakage.	CAR 03	OK
32 (b)	Is the project boundary defined on the basis of a case-by-case assessment with regard to the criteria referred to in 32 (a) above?	Project boundary is defined on the basis of case-by-case assessment of different emission sources in the baseline scenario.		OK
32 (c)	Are the delineation of the project boundary and	The delineation of the project boundary is shown on the flow		OK

DVM Paragraph	Check Item	Initial finding	Draft Conclusion	Final Conclusion
	the gases and sources included appropriately described and justified in the PDD by using a figure or flow chart as appropriate?	chart presented on the Figure B.3.1.		
32 (d)	Are all gases and sources included explicitly stated, and the exclusions of any sources related to the baseline or the project are appropriately justified?	All gases and sources included and excluded were explicitly stated and justified with reservations in CAR 03. Pending a response to CAR 03.	Pending	
Approved CDM methodology approach only_Paragraph 33_ Not applicable				
Crediting period				
34 (a)	Does the PDD state the starting date of the project as the date on which the implementation or construction or real action of the project will begin or began?	The starting date of the project is indicated as: 01.05.2007. This date corresponds to the beginning of the gas pipeline (looping) construction works.		OK
34 (a)	Is the starting date after the beginning of 2000?	Yes, it is.		OK
34 (b)	Does the PDD state the expected operational lifetime of the project in years and months?	Expected operational lifetime of the project is 13 years and 4 months or 160 months: from 01.01.2008 till 01.05.2020.		OK
34 (c)	Does the PDD state the length of the crediting period in years and months?	The length of crediting period is defined as 5 years (60 months) from 01.01.2008 to 31.12.2012.		OK
34 (c)	Is the starting date of the crediting period on or after the date of the first emission reductions or enhancements of net removals generated by the project?	Starting date of crediting period is on the date when the first emission reductions are generated by the project.		OK
34 (d)	Does the PDD state that the crediting period for issuance of ERUs starts only after the beginning of 2008 and does not extend beyond the operational lifetime of the project?	The start of crediting period is 01/01/2008 and its length is 5 years or 60 months.		OK

DVM Paragraph	Check Item	Initial finding	Draft Conclusion	Final Conclusion
34 (d)	If the crediting period extends beyond 2012, does the PDD state that the extension is subject to the host Party approval? Are the estimates of emission reductions or enhancements of net removals presented separately for those until 2012 and those after 2012?	N/A		OK
Monitoring plan				
35	Does the PDD explicitly indicate which of the following approaches is used? − JI specific approach − Approved CDM methodology approach	PDD explicitly indicates that for description and justification of the monitoring plan a JI specific approach was used.		OK
JI specific approach only				
36 (a)	Does the monitoring plan describe: − All relevant factors and key characteristics that will be monitored? − The period in which they will be monitored? − All decisive factors for the control and reporting of project performance?	The monitoring plan describes: - the relevant factors that will be monitored: (1) Chemical composition of APG at BPS-1,2,3,3A (measured); (2) Total volume of APG directed into pipeline to GPP from Sugmut oilfield (measured). (3) Volume of APG directed into the old pipeline from Romanovo oilfield (measured). (4) Specific electricity consumption coefficient at Muravlenko GPP during processing of APG under the project activity (provided by Muravlenko GPP); (5) Specific losses coefficient from processing operations at Muravlenko GPP under the project activity (provided by Muravlenko GPP); - the periods in which they will be monitored: monthly - chemical composition of APG at BPS-1,2,3,3A and		OK

DVM Paragraph	Check Item	Initial finding	Draft Conclusion	Final Conclusion
		annually - volumes of APG through the new looping and from Romanovo field, specific electricity consumption coefficient at Muravlenko GPP and specific losses coefficient from processing operations at Muravlenko GPP); - all decisive factors for the control and reporting of project performance: ecological reporting, quality control (QC) and quality assurance (QA) procedures; the operational and management structure that will be applied in implementing the monitoring plan.		
36 (b)	Does the monitoring plan specify the indicators, constants and variables used that are reliable, valid and provide transparent picture of the emission reductions or enhancements of net removals to be monitored?	The monitoring plan specifies the indicators, constants and variables used that are basically reliable, valid and provide transparent picture of the emission reductions to be monitored.		OK
36 (b)	If default values are used: − Are accuracy and reasonableness carefully balanced in their selection? − Do the default values originate from recognized sources? − Are the default values supported by statistical analyses providing reasonable confidence levels? − Are the default values presented in a transparent manner?	Unburned carbon factor for soot combustion of APG in flare units was taken from NII Atmosphere Methodology. Density of CH4 and CO2 at standard conditions is taken from reliable sources. The taken grid emission factor is positively determined in JI-0216. CH4 emission at APF transportation are taken from IPCC 2006 v.2 ch4All the default and fixed values are reasonably balanced and transparent.		OK
36 (b) (i)	For those values that are to be provided by the project participants, does the monitoring plan clearly indicate how the values are to be	The values provided by project participants are described and it is justified how they will be selected. The parameter "specific electricity consumption at Muravlenko GPP during		OK

DVM Paragraph	Check Item	Initial finding	Draft Conclusion	Final Conclusion
	selected and justified?	the processing of APG under project activity" (SEC_{APG}) is provided by LLC "Noyabrskiy GPC" JSC "Sibur Holding" for Muravlenko GPP.		
36 (b) (ii)	For other values, − Does the monitoring plan clearly indicate the precise references from which these values are taken? − Is the conservativeness of the values provided justified?	Refer to 36 (b).		OK
36 (b) (iii)	For all data sources, does the monitoring plan specify the procedures to be followed if expected data are unavailable?	The necessary procedures on emergency cases are indicated in Section D.3.		OK
36 (b) (iv)	Are International System Unit (SI units) used?	International System Units (SI units) are used.		OK
36 (b) (v)	Does the monitoring plan note any parameters, coefficients, variables, etc. that are used to calculate baseline emissions or net removals but are obtained through monitoring?	Refer to PDD Section D.1.2.1.		OK
36 (b) (v)	Is the use of parameters, coefficients, variables, etc. consistent between the baseline and monitoring plan?	Yes, they are consistent.		OK
36 (c)	Does the monitoring plan draw on the list of standard variables contained in appendix B of "Guidance on criteria for baseline setting and monitoring"?	Yes.		OK
36 (d)	Does the monitoring plan explicitly and clearly distinguish: (i) Data and parameters that are not monitored throughout the crediting period, but are	Description of the monitoring plan in Section D.1 explicitly and clearly distinguishes: (i) Refer to 36 (b). (ii) N/A.		OK

DVM Paragraph	Check Item	Initial finding	Draft Conclusion	Final Conclusion
	determined only once (and thus remain fixed throughout the crediting period), and that are available already at the stage of determination? (ii) Data and parameters that are not monitored throughout the crediting period, but are determined only once (and thus remain fixed throughout the crediting period), but that are not already available at the stage of determination? (iii) Data and parameters that are monitored throughout the crediting period?	iii) Refer to 36 (a): parameters marked (1) - (5).		
36 (e)	Does the monitoring plan describe the methods employed for data monitoring (including its frequency) and recording?	The monitoring plan describes the methods employed for data monitoring (flow meters, chromatographs) and data collection frequency (monthly – chemical composition of APG at BPS-1,2,3,3A and annually - volume of APG transported to the Muravlenko GPP through the new pipeline under the project activity, specific electricity consumption coefficient at Muravlenko GPP during processing of APG under project activity, and specific losses coefficient from processing operations at Muravlenko GPP under project activity. Recording of data is stored in paper and electronically.		OK
36 (f)	Does the monitoring plan elaborate all algorithms and formulae used for the estimation/calculation of baseline emissions/removals and project emissions/removals or direct monitoring of emission reductions from the project, leakage, as appropriate?	Formulae are indicated and numbered in Sections D.1.2.2, D.1.3.2, D.1.4.		OK

DVM Paragraph	Check Item	Initial finding	Draft Conclusion	Final Conclusion
36 (f) (i)	Is the underlying rationale for the algorithms/formulae explained?	Yes, it is.		OK
36 (f) (ii)	Are consistent variables, equation formats, subscripts etc. used?	Please refer to 36 (f).		OK
36 (f) (iii)	Are all equations numbered?	Yes, they are numbered.		OK
36 (f) (iv)	Are all variables, with units indicated defined?	Yes, they are.		OK
36 (f) (v)	Is the conservativeness of the algorithms/procedures justified?	N/A		OK
36 (f) (v)	To the extent possible, are methods to quantitatively account for uncertainty in key parameters included?	N/A		OK
36 (f) (vi)	Is consistency between the elaboration of the baseline scenario and the procedure for calculating the emissions or net removals of the baseline ensured?	N/A		OK
36 (f) (vii)	Are any parts of the algorithms or formulae that are not self-evident explained?	N/A		OK
36 (f) (vii)	Is it justified that the procedure is consistent with standard technical procedures in the relevant sector?	The official NII Atmosphere methodology and 2006 IPCC Guidelines are used. Please refer to 36 (f) (vii) below.		OK
36 (f) (vii)	Are references provided as necessary?	Reference is made to "Methodology of calculation of emissions of hazardous substances into the atmosphere due to the flaring of the associated petroleum gas at flaring stacks" developed by the Saint-Petersburg Scientific Research Institute for Protection of Atmosphere (endorsed by State Committee for Environmental Protection GosKomEcologiya) and 2006 IPCC Guidelines for National		OK

DVM Paragraph	Check Item	Initial finding	Draft Conclusion	Final Conclusion
		Greenhouse Gas Inventories.		
36 (f) (vii)	Are implicit and explicit key assumptions explained in a transparent manner?	All implicit and explicit key assumptions are explained in transparent manner.		OK
36 (f) (vii)	Is it clearly stated which assumptions and procedures have significant uncertainty associated with them, and how such uncertainty is to be addressed?	N/A		OK
36 (f) (vii)	Is the uncertainty of key parameters described and, where possible, is an uncertainty range at 95% confidence level for key parameters for the calculation of emission reductions or enhancements of net removals provided?	The uncertainty level of measured parameters is provided; please refer to D.2. It is in the range at 95% confidence level.		OK
36 (g)	Does the monitoring plan identify a national or international monitoring standard if such standard has to be and/or is applied to certain aspects of the project? Does the monitoring plan provide a reference as to where a detailed description of the standard can be found?	The monitoring plan identifies that all measurements are carried out as part of monitoring and are in accordance with the law "On uniformity of measurements" N 102-Ф3 dated 26/06/2008.		OK
36 (h)	Does the monitoring plan document statistical techniques, if used for monitoring, and that they are used in a conservative manner?	N/A		OK
36 (i)	Does the monitoring plan present the quality assurance and control procedures for the monitoring process, including, as appropriate, information on calibration and on how records on data and/or method validity and accuracy are kept and made available upon request?	QC/QA procedures are specified in PDD Section D.2. They include basic information about the calibration procedures for gas flow meters, chromatograph.		OK
36 (j)	Does the monitoring plan clearly identify the	The operational and management structure that the project		OK

DVM Paragraph	Check Item	Initial finding	Draft Conclusion	Final Conclusion
	responsibilities and the authority regarding the monitoring activities?	participant(s) will implement in order to monitor emission reduction generated by the project is described in PDD Section D.3. Responsibilities and the authority regarding the monitoring activities are indicated.		
36 (k)	Does the monitoring plan, on the whole, reflect good monitoring practices appropriate to the project type? If it is a JI LULUCF project, is the good practice guidance developed by IPCC applied?	Monitoring techniques are in line with current operation routines.		OK
36 (l)	Does the monitoring plan provide, in tabular form, a complete compilation of the data that need to be collected for its application, including data that are measured or sampled and data that are collected from other sources but not including data that are calculated with equations?	The monitoring plan provides, in tabular form, a complete compilation of the data that need to be collected.		OK
36 (m)	Does the monitoring plan indicate that the data monitored and required for verification are to be kept for two years after the last transfer of ERUs for the project?	Yes, please refer to Section D.3		OK
37	If selected elements or combinations of approved CDM methodologies or methodological tools are used for establishing the monitoring plan, are the selected elements or combination, together with elements supplementary developed by the project participants in line with 36 above?	N/A		OK
Approved CDM methodology approach only_Paragraphs 38(a) – 38(d)_Not applicable				
Applicable to both JI specific approach and approved CDM methodology approach				

DVM Paragraph	Check Item	Initial finding	Draft Conclusion	Final Conclusion
39	If the monitoring plan indicates overlapping monitoring periods during the crediting period: (a) Is the underlying project composed of clearly identifiable components for which emission reductions or enhancements of removals can be calculated independently? (b) Can monitoring be performed independently for each of these components (i.e. the data/parameters monitored for one component are not dependent on/effect data/parameters to be monitored for another component)? (c) Does the monitoring plan ensure that monitoring is performed for all components and that in these cases all the requirements of the JI guidelines and further guidance by the JISC regarding monitoring are met? (d) Does the monitoring plan explicitly provide for overlapping monitoring periods of clearly defined project components, justify its need and state how the conditions mentioned in (a)-(c) are met?	N/A		OK
Leakage				
JI specific approach only				
40 (a)	Does the PDD appropriately describe an assessment of the potential leakage of the project and appropriately explain which sources of leakage are to be calculated and which can be neglected?	PDD describes as a leakage GHG emissions associated with emissions related to the grid electricity consumption at processing of the utilised APG at Muravlenko GPP, emissions due to physical leaks during APG transporting operations to Muravlenko GPP and emissions due to processing of APG at Muravlenko GPP. Other types of		OK

DVM Paragraph	Check Item	Initial finding	Draft Conclusion	Final Conclusion
		leaks/leakage are reasonably neglected. Conclusion is pending a response to CAR 03.		
40 (b)	Does the PDD provide a procedure for an ex ante estimate of leakage?	Yes. Please refer to Section D.1.3.2.		OK
Approved CDM methodology approach only_Paragraph 41_Not applicable				
Estimation of emission reductions or enhancements of net removals				
42	Does the PDD indicate which of the following approaches it chooses? (a) Assessment of emissions or net removals in the baseline scenario and in the project scenario (b) Direct assessment of emission reductions	PDD assess direct assessment of emission reductions. Hence, approach (b) is chosen.		OK
43	If the approach (a) in 42 is chosen, does the PDD provide ex ante estimates of: (a) Emissions or net removals for the project scenario (within the project boundary)? (b) Leakage, as applicable? (c) Emissions or net removals for the baseline scenario (within the project boundary)? (d) Emission reductions or enhancements of net removals adjusted by leakage?	N/A		OK
44	If the approach (b) in 42 is chosen, does the PDD provide ex ante estimates of: (a) Emission reductions or enhancements of net removals (within the project boundary)? (b) Leakage, as applicable? (c) Emission reductions or enhancements of net removals adjusted by leakage?	The PDD provides ex ante estimates of: (a) Emission reductions within the project boundary; (b) Leakage; (c) Emission reductions adjusted by leakage.		OK

DVM Paragraph	Check Item	Initial finding	Draft Conclusion	Final Conclusion
45	For both approaches in 42 (a) Are the estimates in 43 or 44 given: (i) On a periodic basis? (ii) At least from the beginning until the end of the crediting period? (iii) On a source-by-source/sink-by-sink basis? (iv) For each GHG? (v) In tones of CO2 equivalent, using global warming potentials defined by decision 2/CP.3 or as subsequently revised in accordance with Article 5 of the Kyoto Protocol? (b) Are the formula used for calculating the estimates in 43 or 44 consistent throughout the PDD? (c) For calculating estimates in 43 or 44, are key factors influencing the baseline emissions or removals and the activity level of the project and the emissions or net removals as well as risks associated with the project taken into account, as appropriate? (d) Are data sources used for calculating the estimates in 43 or 44 clearly identified, reliable and transparent? (e) Are emission factors (including default emission factors) if used for calculating the estimates in 43 or 44 selected by carefully balancing accuracy and reasonableness, and	(a) Estimates in 44 are given on the periodic basis, from the beginning until the end of the crediting period, in tones of CO2 equivalent. (b) The formulae used in PDD are consistent throughout PDD (for the formulae refer to Section D). (c) Key factors influencing the baseline emissions and the activity level of the project and the emissions are taken into account, as appropriate. (d) Data sources used for calculating the estimates are basically clearly identified, reliable and transparent. (e) Emission factors (including default emission factors) are selected by carefully balancing accuracy. (f) Estimation in 44 is based on the most plausible scenario in a transparent manner. Refer to CAR 05 (g) Estimates in 44 are consistent throughout the PDD. (h) The annual average of estimated emission reductions calculated virtually by dividing the total estimated emission reductions over the crediting period by the total months of the crediting period and multiplying by twelve. Conclusion is pending a response to CAR 05.	Pending	

DVM Paragraph	Check Item	Initial finding	Draft Conclusion	Final Conclusion
	appropriately justified of the choice? (f) Is the estimation in 43 or 44 based on conservative assumptions and the most plausible scenarios in a transparent manner? (g) Are the estimates in 43 or 44 consistent throughout the PDD? (h) Is the annual average of estimated emission reductions or enhancements of net removals calculated by dividing the total estimated emission reductions or enhancements of net removals over the crediting period by the total months of the crediting period and multiplying by twelve?			
46	If the calculation of the baseline emissions or net removals is to be performed ex post, does the PDD include an illustrative ex ante emissions or net removals calculation?	Illustrative ex-ante estimation of baseline emissions is presented on the spreadsheet made available to AIE.		OK
Approved CDM methodology approach only_Paragraphs 47(a) – 47(b)_Not applicable				
Environmental impacts				
48 (a)	Does the PDD list and attach documentation on the analysis of the environmental impacts of the project, including transboundary impacts, in accordance with procedures as determined by the host Party?	According to the State Committee for Ecology and Natural Resources of the Russian Federation Decree dated 15.04.2000 #372 "On compliance with regulations regarding the planned economics (and other) actions and their ecological impact", developers must include environmental issues into the project design documentation. In accordance with the Urban Construction Code the Design Documentation should contain Section "Measures on Environment Protection" which includes paragraph (a) Environmental Impact Assessment (EIA). The whole Design		OK

DVM Paragraph	Check Item	Initial finding	Draft Conclusion	Final Conclusion
		Documentation including the environmental part is subject to the formal state expertise. The section "Environmental Protection" is integrated into the design documentation of this project. The design documentation was prepared in 2007 (section #3 of the technical documentation "Construction of Sugmut oilfield. Pipeline BPS-2 Sugmut oilfield – Muravlenko GPP" by Giprotyumenneftegaz). It has received the positive opinions issued by the Federal State Entity "Glavgosexpertiza" #418-08/EGE-0500/01 dated 18.11.2008. Based on the outcomes of the environmental section the permission on emissions of polluting substances by stationary sources was issued for the period of 03.05.2007 – 31.12. 2011. Transboundary impacts are irrelevant for the project due to the tremendous distance to the nearest border.		
48 (b)	If the analysis in 48 (a) indicates that the environmental impacts are considered significant by the project participants or the host Party, does the PDD provide conclusion and all references to supporting documentation of an environmental impact assessment undertaken in accordance with the procedures as required by the host Party?	Russian legislation does not use the term "significant environmental impacts". The company is permitted to operate on the basis on permission of air emission issued by the state authority Rostekhnadzor.		OK
Stakeholder consultation				
49	If stakeholder consultation was undertaken in accordance with the procedure as required by	This type of project is not liable to arrangement of stakeholders' consultation in form of public hearing. No		OK

DVM Paragraph	Check Item	Initial finding	Draft Conclusion	Final Conclusion
	the host Party, does the PDD provide: (a) A list of stakeholders from whom comments on the projects have been received, if any? (b) The nature of the comments? (c) A description on whether and how the comments have been addressed?	stakeholder consultation was undertaken.		
Determination regarding small-scale projects (additional elements for assessment)_Paragraphs 50 - 57_Not applicable				
Determination regarding land use, land-use change and forestry projects _Paragraphs 58 – 64(d)_Not applicable				
Determination regarding programmes of activities_Paragraphs 66 – 73_Not applicable				

Table 2 Resolution of Corrective Action and Clarification Requests

Draft report clarifications and corrective action requests by validation team	Ref. to checklist question in table 1	Summary of project participant response	Determination team conclusion
CAR 01. Please provide the contact data of the project participant contact person.	-	Corrected	CAR is closed based on due amendments made to the PDD.
CAR 02. The project has no approval of the host Party.	19	Thus, in accordance with the law of the Russian Federation applicable to the implementation of CO projects, the Project can be approved after a positive opinion is given by the determiner. Second approval (second party) is possible after reception of the positive determination opinion from AIE from first party.	Left pending.
CAR 03. Please include the methane emissions that occur during transportation of APG through new pipeline to Muravlenko in the project emission. In PDD, they are mistakenly treated as leakage.	32 (a)	Corrected.	CAR is closed based on due amendments made to the PDD.