

 <p align="center"><b>CDM Project Activity Registration and Validation Report Form</b>  <i>(By submitting this form, designated operational entity confirms that the proposed CDM project activity meets all validation and registration requirements and thereby requests its registration)</i></p>	
<b>Section 1: Request for registration</b>	
<b>Name of the designated operational entity (DOE) submitting this form</b>	Det Norske Veritas Certification Ltd. (DNV)
<b>Title of the proposed CDM project activity (Section A.2 of the attached CDM-PDD) submitted for registration</b>	Lucélia Bagasse Cogeneration Project (LBCP)
<b>Project participants (Name(s))</b>	Central de Álcool Lucélia Ltda. (Brazil) Econergy Brasil Ltda. (Brazil)
<b>Sector in which project activity falls</b>	Energy Industry, renewable sources
<b>Is the proposed project activity a small-scale activity?</b>	No
<b>Section 2: Validation report</b>	
<b>List of documents to be attached to this validation report (please check mark):</b>	
<ul style="list-style-type: none"> <li><input checked="" type="checkbox"/> The CDM-PDD of the Project activity</li> <li><input checked="" type="checkbox"/> An explanation by the submitting designated operational entity of how it has taken due account of comments on validation requirements received, in accordance with the CDM modalities and procedures, from Parties, stakeholders and UNFCCC accredited non-governmental organizations (Note: Included in DNV's Validation Report (DNV report 2004-0528, rev. 01));</li> <li><input type="checkbox"/> The written approval of voluntary participation from the designated national authority of each Party involved, including confirmation by the host Party that the project activity assist it in achieving sustainable development: <ul style="list-style-type: none"> <li>○ (Attach a list of all Parties involved and attach the approval(in alphabetic order))</li> </ul> </li> <li><input checked="" type="checkbox"/> Other documents, including any validation protocol used in the validation. <ul style="list-style-type: none"> <li>○ DNV's Validation Report (DNV report 2004-0528, rev. 01), including a validation protocol and a list of person interviewed by DNV validation team during the validation process.</li> </ul> </li> <li><input type="checkbox"/> Information on when and how the above validation report is made publicly available.</li> <li><input type="checkbox"/> Banking information on the payment of the non-reimbursable registration fee.</li> <li><input type="checkbox"/> A statement signed by all project participants stipulating the modalities of communicating with the Executive Board and the secretariat in particular with regard to instructions regarding allocation of CERs at issuance.</li> </ul>	

**Executive Summary and Introduction, including**

- **Description of the proposed CDM project activity**
- **Scope of validation process (include all documentation that has been reviewed and name persons that have been interviewed as part of the validation, as applicable)**
- **DOE Validation team (list of all persons involved in the validation, describing functions assumed in the validation)**

The “Lucélia Bagasse Cogeneration Project (LBCP)” is a grid-connected renewable energy project activity, displacing grid electricity with electricity generated from renewable sources (bagasse) and thus resulting in the reduction of emissions of greenhouse gases in the energy sector. The project aims to increase the efficiency and capacity of the prevailing bagasse based energy generation, by refurbishing low pressure boilers into high pressure boilers and by installing an additional 33 MW generation capacity at the Lucélia sugarcane mill in Lucélia Municipality, São Paulo State, Brazil. The project allows Lucélia to generate excess electricity that is dispatched to the regional grid S-SE-CO.

The cogeneration capacity expands from 3,7 MW to 35,7 MW, through two phases. The first phase (2002) included the refurbishment of a 23 bar boiler to a 44 bar and the installation of one 12 MW back pressure turbo-generator. The second phase (2006) will include the installation of a 65 bar boiler and a 20 MW (G3) condensing turbo-generator and the 23 bar boiler will be put on stand-by.

The validation scope is an independent and objective review of the Project Design Document (PDD). The PDD was reviewed against the criteria stated in Article 12 of the Kyoto Protocol criteria for the CDM, the CDM modalities and procedures as agreed in the Marrakech Accords and relevant decision by the CDM Executive Board. The validation team has, based on the recommendation in the IETA/PCF Validation and Verification Manual, and employed a risk-based approach, focusing on the identification of significant risks for the project implementation and the generation of CERs.

The following documents were reviewed:

Lucelia Bagasse Cogeneration Project (LBCP) PDD. Version 1 (November 2003);  
 Lucelia Bagasse Cogeneration Project (LBCP) PDD. Version 2 (January 2005);  
 Lucelia Bagasse Cogeneration Project (LBCP) PDD. Version 3 (August 2005);  
 Spreadsheet of Calculation of Combined Margin (ONS database SSC 2001-2003 v.2005-06-22)  
 International Emission Trading Association (IETA) & the World Bank's Prototype Carbon Fund (PCF): Validation and Verification Manual. <http://www.vvmanual.info>  
 Approved Baseline Methodology AM0015: “Bagasse-based cogeneration connected to an electricity grid”. Version 01 of 22 September 2004.  
 Approved Monitoring Methodology AM0015: “Bagasse-based cogeneration connected to an electricity grid”. Version 01 of 22 September 2004.  
 EB: Tool for the demonstration and assessment of additionality, EB 16 Report, Annex 1.  
 Bosi, M., A. Laurence, P. Maldonado, R. Schaeffer, A. F. Simoes, H. Winkler and J.-M. Lukamba. Road testing baselines for greenhouse gas mitigation projects in the electric power sector. OECD and IEA information paper, October 2002.

The following persons were interviewed:

Helvécio Guimarães - Econergy  
 Nivaldo Tomazella – Lucélia Manager  
 Serafim Antonio Neto – Lucélia President

The validation team consisted of the following personnel:

Mr. Luis Filipe Tavares	DNV Rio de Janeiro	Team leader,
Ms. Cintia Dias	DNV Rio de Janeiro	CDM auditor
Mr. Vicente San Valero	DNV Rio de Janeiro	CDM auditor

Mr. Kumaraswamy Chandrashekara

DNV Bangalore

CDM auditor

Mr. Michael Lehmann

DNV Oslo

Energy sector expert/Technical reviewer

For further details, please refer to the "Introduction" and "References" Sections of DNV's Validation Report (DNV Report 2004-0528, rev. 01).

### Description of methodology for carrying out validation

- **Review of CDM-PDD and additional documentation attached to it**
- **Assessment against CDM requirements (e.g. by use of a validation protocol)**
- **Report of findings by the DOE, e.g. by use of type of findings (e.g. corrective action requests, clarifications or observations). Please explain the way findings are "labelled" during validation.**
- **Include statements or assessments in the section "Conclusions, final comments and validation opinion" below.**

The validation of the project started in September 2003. The Validation consists of the following three phases:

- a desk review of the project design documents;
- follow-up interview with project stakeholders;
- the resolution of outstanding issues and the issuance of the validation report and opinion.

The original and revised versions of the project design document (PDD) for the project submitted by the project participants were reviewed. Additional background documents related to the project design and the baseline were also consulted.

DNV performed on 18 August 2003 interviews with Econergy and Lucélia to confirm and to resolve issues identified in the document review.

In order to ensure transparency, a validation protocol has been customized for the project, according to the Validation and Verification Manual. The protocol shows, in a transparent manner, criteria (requirements), means of verification and the results from validation the identified criteria.

Findings established during the validation can either be seen as a non- fulfilment of validation criteria or where a risk to the fulfilment of project objectives is identified. Such findings are termed Corrective Action Requests (CAR). The term Clarification may be used where additional information is needed to fully clarify an issue. The Corrective Action Requests and requests for Clarification raised by DNV were resolved through communications with the project participants. To guarantee the transparency of the validation process, the concerns raised by DNV and the response provided by the project participants are documented in Table 3 of the Validation Protocol in Appendix A of DNV's Validation Report. (DNV report 2004-0528, rev. 01).

For further details, please refer to the "Methodology" Section of DNV's Validation Report (DNV Report 2004-0528, rev. 01) and the IETA/PCF Validation and Verification Manual ([www.vvmanual.info](http://www.vvmanual.info))

Explanation by the submitting designated operational entity of how it has taken due account of comments on validation requirements received, in accordance with the CDM modalities and procedures, from Parties, stakeholders and UNFCCC accredited non-governmental organizations;

- Description of how and when the PDD was made publicly available
- Description of how comments were received and made publicly available
- Explanation of how due account has been taken of comments received
- Compilation of all comments received (Identify the submitter)

DNV Certification published the PDD of January 2005 on the DNV Climate Change web site (<http://www.dnv.com/certification/ClimateChange>) and stakeholders were through the UNFCCC CDM web site invited to provide comments within a 30 days period from 13 February 2005 to 15

March 2005.

One comment was received and made publicly available on DNV's Climate Change website. The comment (in unedited form) and how DNV has taken due account of the comment received is given in the "Comments by Parties, stakeholders and NGOs" Section of DNV's Validation Report (DNV Report 2004-0528, rev. 01).

#### Conclusions, final comments and validation opinion

- Provide conclusions on each requirement under paragraph 37 of the CDM modalities and procedures, describing how these requirements have been met. This shall include assessments and findings (e.g. corrective action requests, clarifications or observations) in relation to each requirement, including a confirmation that all issues raised have been addressed to the satisfaction of the DOE.
- Final comments and validation opinion

Det Norske Veritas Certification Ltd. (DNV) has performed a validation of the "Lucélia Bagasse Cogeneration Project (LBCP)" at Lucélia Municipality, São Paulo State, Brazil (hereafter called "the project"). The validation was performed on the basis of UNFCCC criteria for CDM project activities and relevant Brazilian criteria, as well as criteria given to provide for consistent project operations, monitoring and reporting.

The project participants are Central de Álcool Lucélia Ltda. and Econergy Brasil Ltda of Brazil. The host Party Brazil meets all relevant participation requirements. No participating Annex I Party is yet identified.

The project is a bagasse-based cogeneration power generation activity displacing grid electricity. By refurbishing low pressure boilers into high pressure boilers and by installing an additional 33 MW generation capacity, the project will allow Lucélia to generate excess electricity project which is dispatched to the regional grid.

By promoting renewable energy, the project is in line with the current sustainable development priorities of Brazil.

The project applies the approved baseline and monitoring methodology AM0015, i.e. "Bagasse-based cogeneration connected to an electricity grid". The baseline methodology has been applied correctly and the assumptions made for the selected baseline scenario are sound. It is sufficiently demonstrated that the project is not a likely baseline scenario and that emission reductions attributable to the project are additional to any that would occur in the absence of the project activity.

A combined margin emission coefficient of 0.249 tCO<sub>2</sub>e/MWh is calculated in accordance with AM0015, i.e. the average of the approximate operating margin and the build margin. The determination of this combined margin emission coefficient is based on actual electricity generation data provided by the National Electricity System Operator (ONS) for the years 2001- 2003 for the South-Southeast-Midwest grid.

The monitoring methodology has been applied correctly. The monitoring plan sufficiently specifies the monitoring requirements of the main project indicators.

By displacing fossil fuel-based electricity with electricity generated from a renewable source, the project results in reductions of CO<sub>2</sub> emissions that are real, measurable and give long-term benefits to the mitigation of climate change. Given that the project is implemented as designed, the project is likely to achieve the estimated amount of emission reductions.

Local stakeholder comments were invited according to the Brazilian DNA Resolution 1. No comments were received.

In summary, it is DNV's opinion that the "Lucélia Bagasse Cogeneration Project (LBCP)" as described in the revised project design document of August 2005, meets all relevant UNFCCC requirements for the CDM and all relevant host country criteria and correctly applies the baseline and monitoring methodology AM0015.

Hence, DNV will request the registration of the "Lucélia Bagasse Cogeneration Project (LBCP)" as CDM project activity.

For further details, please refer to the "Validation Findings" Section and Table 1 of the Validation Protocol in Appendix A of DNV's Validation Report (DNV Report 2004-0528, rev. 01).

The DOE declares herewith that in undertaking the validation of this proposed CDM project activity it has no financial interest related to the proposed CDM project activity and that undertaking such a validation does not constitute a conflict of interest which is incompatible with the role of a DOE under the CDM.

By submitting this validation report, the DOE confirms that all validation requirements are met.

Prior to the submission of this validation report to the CDM Executive Board, DNV will have to receive the written approval of voluntary participation from the Brazilian DNA, including confirmation that the project assists in achieving sustainable development.

Name of authorized officer signing for the DOE



Michael Lehmann

Date and signature for the DOE

15 August 2005

***Section below to be filled by UNFCCC secretariat***

Date when the form is received at UNFCCC secretariat

Date at which the registration fee has been received

Date at which registration shall be deemed final

Date of request for review, if applicable

Date and number of registration

Date

Number