CDM Project Activity Registration and Validation Report Form

(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)

Section 1: Request for registration	
Name of the designated operational entity (DOE) submitting this form	TÜV Industrie Service GmbH TÜV SÜD Group
Title of the proposed CDM project activity (Section A.2 of the attached CDM-PDD) submitted for registration	Santa Elisa Bagasse Cogeneration Project (SEBCP)
Project participants (Name(s))	Companhia Energética Santa Elisa S/A (CESE) Econergy Brasil Ltda., Brazil Swedish Energy Agency
Sector in which project activity falls	1 - Energy industries (renewable - / non-renewable sources)
Is the proposed project activity a small-scale activity?	No / Yes *(underline as applicable)*

Section 2: Validation report	
List of documents to be attached to this validation report (please check mark)*:*	

X	The CDM-PDD of the project activity
X	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. This explanation is included in the Validation Report No. 67134*, rev 03*;
❑	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 assists it in achieving sustainable development:
X	Other documents, including any validation protocol used in the validation
○	Validation Report (Validation Report No. 67134*, rev 03*), including a validation protocol, an information reference list and a list of persons interviewed by DOE validation team during the validation process.
❑	Information on when and how the above validation report is made publicly available.
❑	Banking information on the payment of the non-reimbursable registration fee
❑	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 allocations of CERs at issuance

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)**

This project activity consists of increasing efficiency in the bagasse (a renewable fuel source, residue from sugarcane processing) cogeneration facility at **Santa Elisa**, a Brazilian sugar mill. With the implementation of this project, the mill has been able to sell electricity to the national grid, avoiding that fossil-fuelled thermal plants dispatch the same amount of energy to that grid. By that, the initiative avoids CO_2 emissions, also contributing to the regional and national sustainable development.

By investing to increase steam efficiency in the sugar and alcohol production and also increasing the efficiency in the steam production with more efficient boilers, SE generates surplus steam for using it exclusively on electricity production in its power-house, which also required buying turbo-generators.

The municipality where the project is located is Sertãozinho being located northeast in the State of São Paulo, in the agricultural region of Ribeirão Preto.

The technology in in that project for generating megawatt (MW) levels of electricity from biomass is the steam-Rankine cycle, which consists of direct combustion of biomass in a boiler to raise steam, which is then expanded through a turbine. Such combined heat and power (CHP), or cogeneration, systems provide greater levels of energy services per unit of biomass consumed than systems that generate power only.

SE intended with SEBCP to reduce the amount of steam consumption at the sugar production process to 400 kg of steam per tone of cane crushed. SEBCP' s expansion plan is described as follows:

- Phase 1

SE installed a high efficiency 65 bar boiler providing 200 tones of steam per hour at 510 ºC (the first of this kind in the sugar industry in Brazil), therefore consuming less bagasse per ton of steam generated. Also, the mill is installing 2 new backpressure turbo generators of 15 MW each and 2 new condensing type turbo generators of 6 MW each. The design of the new cogeneration facility included also building a new powerhouse, a new sub-station with new measurement equipment and a transmission line. All this investment in infrastructure increased the efficiency to exploit biomass energy significantly. CESE deactivated the less efficient old generators: two of 2.5 MW each, one of 4 MW and one of 6 MW. It also deactivated 3 less efficient 21 bar boilers. Therefore, the new production capacity increased to 58 MW, with a capacity factor of 0.82, an available capacity of 41 MW, an internal consumption of 16 MW and a grid supply capacity of around 31 MW during the harvest season in the year 2003.

- Phase 2

By the year 2005, during the harvest season, SE intends to continue the investments started in 2002, to reach a higher capacity and efficiency for exploiting biomass through the acquisition of another 15 MW turbo generator, another 65 bar boiler and targeting the steam consumption to 400 kg per ton of sugarcane crushed. The forecast is to have an additional supplying capacity of 15 MW to supply the regional grid during the harvest season. Notwithstanding the PPA CESE signed with CPFL, a local distributor, does not consider the additional 15 MW to be implemented in Phase 2 of SEBCP, the mill can sell the electricity.

Studying the existing documentation belonging to this project, it was obvious that the competence and capability of the validation team has to cover at least the following aspects:

- Knowledge of Kyoto Protocol and the Marrakech Accords
- Environmental and Social Impact Assessment
- Skills in environmental auditing (ISO 14000, EMAS)
- Quality assurance
- Technical aspects of cogeneration and the use of biomass
- Monitoring concepts
- Political, economical and technical random conditions in host country

According to these requirements TÜV SÜD has composed a project team in accordance with the appointment rules of the TÜV certification body "climate and energy":
The validation team was consisting of the following three experts:

Mr. Markus Knödlseder	(project manager, GhG auditor)	TÜV SÜD
Mr. Betzenbichler	(GHG auditor)	TÜV SÜD
Mr. Wilson Tomao	(local expert, ISO1400 auditor)	TÜV Bayern Brazil

Mr. Werner Betzenbichler is head of the "Certification Body for Climate and Energy" and expert for conventional energy generation, renewable energy, energy expansion planning and familiar with the recent version of CDM and JI criteria as necessary for the implementation of Art. 6 and Art. 12 of the KP. Since 2000 he has been working in the international climate change and emission trading business as a verifier. He was strong involved in the development of the Validation and Verification Manuals (VVM).

Markus Knödlseder: After his professional training as chemical assistance Mr. Knödlseder studied environmental engineer at the University of Applied Science in Bingen, Germany. Beside his main focus in studies of environmental technologies, he dealt with environmental management and environmental controlling issues. He has been a staff at the department "Carbon Management Service" located in the head office of TÜV Industrie Service GmbH, TÜV SÜD Group in Munich since Oct. 2001. He has been involved in the topic of environmental auditing, baselining, monitoring and verification due to the requirements of the Kyoto Protocol with special focus on renewable energies. Mr. Knödlseder is also an auditor for environmental management systems (ISO 14.000).

Mr. Wilson Tomao is lead auditor and former manager of TÜV Bayern Brazil. He is familiar with local laws and regulations and the assessment of technical installations. He assisted Mr. Betzenbichler during the on-site inspections and by evaluating documents submitting in Portuguese language. Meanwhile he can refer to the participation in the validation process of more than 15 CDM-projects in Brazil.

The audit team covers the above mentioned requirements as follows:

- Knowledge of Kyoto Protocol and the Marrakech Accords (Betzenbichler/Knödlseder)
- Environmental and Social Impact Assessment (Betzenbichler/ Tomao)
- Skills in environmental auditing (Betzenbichler / Tomao)
- Quality assurance (Betzenbichler / Tomao)
- Technical aspects (Betzenbichler /Knödlseder)
- Monitoring concepts (Betzenbichler /Knödlseder)

- Political, economical and technical random conditions in host country (Tomao)

In order to have an internal quality control of the project, a team of the following persons has been composed by the certification body "climate and energy":

Rumberg Michael (deputy head of certification body "climate and energy")

For further details, please, refer to the "Introduction" section of the validation report (Validation *Report No. 67134*, rev 03).

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 consists of the following three phases:

- Desk review
- Follow-up interviews
- Resolution of clarification and corrective action requests

The validation 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. TÜV SÜD has, based on the recommendations in the Validation and Verification Manual employed a risk-based approach in the validation, focusing on the identification of significant risks for project implementation and the generation of CERs.
The validation 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.

The audit team has been provided with an early draft PDD in 2002. Based on this documentation a document review and a fact finding mission in form of an on-site audit has taken place. Afterwards the client decided to revise the PDD according to established regulations an approved methodology the CARs and CRs indicated in the first audit process also has been taking into account new developments on the regulatory side (as for example the new PDD format); the final PDD version was submitted for publishing in the global stakeholder process in December 2004. It serves as the basis for the assessment presented herewith. In August 2005 a revised final PDD has been submitted in which all open issues and clarification requests have been solved by the project developer by submitting additional or corrected information. That changes are not considered to be significant with respect to the qualification of the project as a CDM project based on the two main objectives of the CDM to achieve a reduction of anthropogenic GHG emissions by sources and to contribute to sustainable development. Hence no repetition of the public stakeholder process has taken place.

The project assessment aims at being a risk based approach and is based on the methodology developed in the Validation and Verification Manual (for further information see www.vvmanual.info), an initiative of all Applicant Entities, which aims to harmonize the approach and quality of all such assessments.

In order to ensure transparency, a validation protocol was customised 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 validating the identified criteria. The validation protocol serves the following purposes:

- It organises, details and clarifies the requirements a CDM project is expected to meet;
- It ensures a transparent validation process where the validator will document how a particular requirement has been validated and the result of the validation.

For further details, please, refer to the "Methodology" section of the validation report (Validation Report No. 67134, rev 03).

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)**

TÜV SÜD published the project documents on UNFCCC website and on its own website from **27th of December 2004** for 30 days and invited comments by Parties, stakeholders and non-governmental organisations. No comments were received.

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 meet. 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**

TÜV SÜD has performed a validation of the Validation of the Vale Validation of the Santa Elisa Bagasse Cogeneration Project, Brazil. The validation was performed on the basis of UNFCCC criteria and host country criteria, as well as criteria given to provide for consistent project operations, monitoring and reporting. UNFCCC criteria refer to Article 12 of the Kyoto Protocol, the CDM modalities and procedures and subsequent decisions by the CDM Executive Board.

The review of the project design documentation and the subsequent follow-up interviews have provided TÜV SÜD with sufficient evidence to determine the fulfilment of stated criteria. In our opinion, the project meets all relevant UNFCCC requirements for the CDM under the condition that a written Letter of Approval will be issued by the Brazilian DNA. By the time we will receive the LoA TÜV SÜD will recommend the project for registration by the CDM Executive Board.

By displacing fossil fuel-based electricity in principal with electricity generated from a renewable source, the project results in reductions of CO2 emissions that are real, measurable and give long-term benefits to the mitigation of climate change. An analysis of the investment and technological barriers demonstrates that the proposed project activity is not a likely 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 as designed, the project is likely to achieve the estimated amount of emission reductions.

Additionally the assessment team reviewed the estimation of the projected emission reductions. We can confirm that the indicated amount of emission reductions of 298,209 tonnes CO2e over a crediting period of seven years, resulting in a calculated annual average of 42,601 tonnes CO2e,

represent a reasonable estimation using the assumptions given by the project documents.

The validation is based on the information made available to us and the engagement conditions detailed in this report. The validation has been performed using a risk based approach as described above. The only purpose of this report is its use during the registration process as part of the CDM project cycle. Hence, TÜV SÜD can not be held liable by any party for decisions made or not made based on the validation opinion, which will go beyond that purpose.

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. Name of authorized officer signing for the DOE	Markus Knödlseder
Date and signature for the DOE	31/08/2005

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