



**CLEAN DEVELOPMENT MECHANISM
PROJECT DESIGN DOCUMENT FORM (CDM-PDD)
(Version 02 - in effect as of: 1 July 2004)**

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**SECTION A. General description of project activity****A.1 Title of the project activity:**

Cruz Alta Bagasse Cogeneration Project (CABCP).

A.2. Description of the project activity:

This project activity consists of increasing efficiency in the bagasse (a renewable fuel source, residue from sugarcane processing) cogeneration facility at Cruz Alta sugar mill (Cruz Alta), one of the two sugar mills owned by **Açúcar Guarani S.A.** (Guarani). With the implementation of this project, the mill is able to sell electricity to the national grid, avoiding the dispatch of same amount of energy produced by fossil-fuelled thermal plants to that grid. By that, the initiative avoids CO₂ emissions, also contributing to the regional and national sustainable development.

By investing to increase steam efficiency in the sugar and alcohol production and increase in the efficiency of burning the bagasse (more efficient boilers), Cruz Alta generates surplus steam and uses it exclusively for electricity production (through turbo-generators).

The sponsors of the CABCP are convinced that bagasse cogeneration is a sustainable source of energy that brings not only advantages for mitigating global warming, but also creates a sustainable competitive advantage for the agricultural production in the sugarcane industry in Brazil. Using the available natural resources in a more efficient way, CABCP helps to enhance the consumption of renewable energy. Besides that, the project is used to demonstrate the feasibility of electricity generation as a side-business source of revenue for the sugar industry. It is worthy to highlight that out of approximately 320 sugar mills in Brazil, the great majority, produces energy for on-site use only, and not for grid supply, which is mainly due to the low-efficiency of the cogeneration equipment installed on those sugar mills.

Furthermore, bagasse cogeneration also plays an important role on the country's economic development, as Brazil's sugarcane-based industry provides for approximately 1 million jobs and represents one of the major agribusiness products within the trade balance of the country. The Brazilian heavy industry has developed the technology to supply the sugarcane industry with equipments to provide expansion for the cogeneration, therefore such heavy industry development also helps the country to create jobs and achieve the sustainable development.

Bagasse cogeneration is important for the energy strategy of the country. Cogeneration is an alternative that allows postponing the installation and/or dispatch of electricity produced by fossil-fuelled generation utilities. The sale of the CER generated by the project will boost the attractiveness of bagasse cogeneration projects, helping to increase the production of this energy and decrease dependency on fossil fuels.

Cruz Alta also believes that sustainable development will be achieved not only by the implementation of a renewable energy production facility, but also by carrying out activities which corresponds to the company social and environmental responsibilities, as described below:

Social Contribution

Guarani has implemented a number of social activities in order to improve its employees and also the surrounding communities' quality of life. To the employees, Guarani offers assistances as: a baby kit, to



help those families who recently got a child; funeral service, covering 100% of the costs involved in funeral activities linked to its employees or any of their legal dependents; subsidies for orthopedic apparels and glasses; subsidies to facilitate the purchase of school material by the employees' families; subsidies amounting to 40% of medicines cost; food allowances, for food purchases; primary medical services provided at both units (Cruz Alta and Guarani) through a work physician and a clinical one; basic medical assistance in the city of Olímpia, through health insurance; odontological assistance for all the employees and their legal dependents, with exception of the dependents of those working in the rural activities or employed temporarily, in the two clinics located in the two units, and moreover a subsidy of 70% of those kind of services provided in private clinics for the same people; scholarships, paying 70% of technical courses and 50% of language courses, selected among applicants; 100% company-covered life insurance; transportation to and from the mills; implementation of the Safety Training Observation Program, designed by Dupont.

To the surrounding communities, Guarani has established initiatives such as: donation of 400 uniform t-shirts to Washington Junqueira Franco school, in the city of Olímpia; donation of blankets to be distributed among poor families and homeless people; donation of sports material to Dr. Antônio Reis Neves school, situated in Olímpia; donation of music material and uniforms to interschool activities in Olímpia; confection of 300 books of compositions for the project “*Escrever é vida*” – writing is life – to the region's schools; donation of one wheelchair; donation of milk and medicines to children with serious health problems; donation of school and sports material to religious entities and schools which help poor children; confection of material for people with listening problems in the city of Olímpia; preparation and technical assistance for the maintenance of one school crop providing guidance to students and teachers in the region; donation of 7.420 kg of food to various entities in the region; students' visit to Cruz Alta unit, focusing integration between the community and the company; odontological campaign for students between 7 and 10 years old in some of Olímpia's schools.

Because of such activities, Guarani has been congratulated with the “Friend of the children company” award, by ABRINQ¹ (toys manufacturers Brazilian national association), in 1997.

Guarani's industrial processes are also a matter of care for the company, and quality is on top of that care. At Cruz Alta unit, the production of liquid and inverted sugar is certified in compliance with the ISO 9002 norm. But Guarani is currently considering certifying other processes in Cruz Alta, including the production and sale of electricity.

Environmental Contribution

The CABCP is not the first attitude towards the environment Guarani establishes. Traditionally, its actions are focused on the direct preservation of the regional vegetation. Two measures can be underline. First, in conformity with the Brazilian Forestry Code (*Código Florestal*) published in September 1965, Guarani is taking care of the 743 hectares located along the river Turvo, one of the main of the State of São Paulo. This area is classified as an area of permanent protection (*Area de Proteção Permanente* or APP) because of the proximity of a natural water source and due to the quality of its surrounding vegetation. Also, in compliance with the law n°4.771 of September 15th, 1965, and although Guarani does not possess any land, the firm has started to delimit in collaboration with its cane suppliers the area called as legal reserve (*Reservas Legais*). This surface tends to cover a minimum of 20% of the total owned area cultivated. The law's main objective is to protect some natural resources such as water sources, rivers from an intensive landscape use. In order to achieve this goal, plantation of sugarcane is

¹ <http://www.fundabrinq.org.br>



simply prohibited there. Cruz Alta went further and considerably improved the landscape in the region where it operates by planting 76 ha of native vegetation on those natural areas. To complete its action, yearly distributions of seedlings to cane suppliers, people living at the margin of the Turvo river, to the municipality and schools of Olímpia and to associations for the nature preservation, located in São José do Rio Preto, biggest city in the region, are being carried out. Today, the amount of seedlings planted reaches the figure of 10.000 and Guarani intends to amplify this result in the future.

A.3. Project participants:

Açúcar Guarani S.A. (Cruz Alta), a Brazilian private company.
Econergy Brasil Ltda. (Econergy), a Brazilian private company.

A.4. Technical description of the project activity:**A.4.1. Location of the project activity:****A.4.1.1. Host Party(ies):**

Brazil.

A.4.1.2. Region/State/Province etc.:

São Paulo.

A.4.1.3. City/Town/Community etc:

Olímpia.



A.4.1.4. Detail of physical location, including information allowing the unique identification of this project activity (maximum one page):

Olímpia is located in the northwest of the State of São Paulo and in the southeast of Brazil, as can be seen in Figure 1.



Source: Elaborated from SEBRAE-SP²

Note: The municipality of Olímpia appears in light green.

Figure 1: Geographical position of the city of Olímpia

A.4.2. Category(ies) of project activity:

Sectorial Scope: 1-Energy industries (renewable - / non-renewable sources)

² SEBRAE-SP (2003).

A.4.3. Technology to be employed by the project activity:

The predominant technology in all parts of the world today 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 generate steam, which is then expanded through a turbine. Most steam cycle plants are located at industrial sites, where the waste heat from the steam turbine is recovered and used for meeting industrial process heat needs. Such combined heat and power (CHP), or cogeneration, systems provide greater levels of energy services per unit of biomass consumed than systems that generate electric power only.

The steam-Rankine cycle involves heating pressurized water, with the resulting steam expanding to drive a turbine-generator, and then condensing back to water for partial or full recycling to the boiler. A heat exchanger is used in some cases to recover heat from flue gases to preheat combustion air, and a de-aerator must be used to remove dissolved oxygen from water before it enters the boiler.

Steam turbines are designed as either "backpressure" or "condensing" turbines. CHP applications typically employ backpressure turbines, wherein steam expands to a pressure that is still substantially above ambient pressure. It leaves the turbine still as a vapor and is sent to satisfy industrial heating needs, where it condenses back to water. It is then partially or fully returned to the boiler. Alternatively, if process steam demands can be met using only a portion of the available steam, a condensing-extraction steam turbine (CEST) might be used. This design includes the capability for some steam to be extracted at one or more points along the expansion path for meeting process needs (Figure 2). Steam that is not extracted continues to expand to sub-atmospheric pressures, thereby increasing the amount of electricity generated per unit of steam compared to the backpressure turbine. The non-extracted steam is converted back to liquid water in a condenser that utilizes ambient air and/or a cold water source as the coolant³.

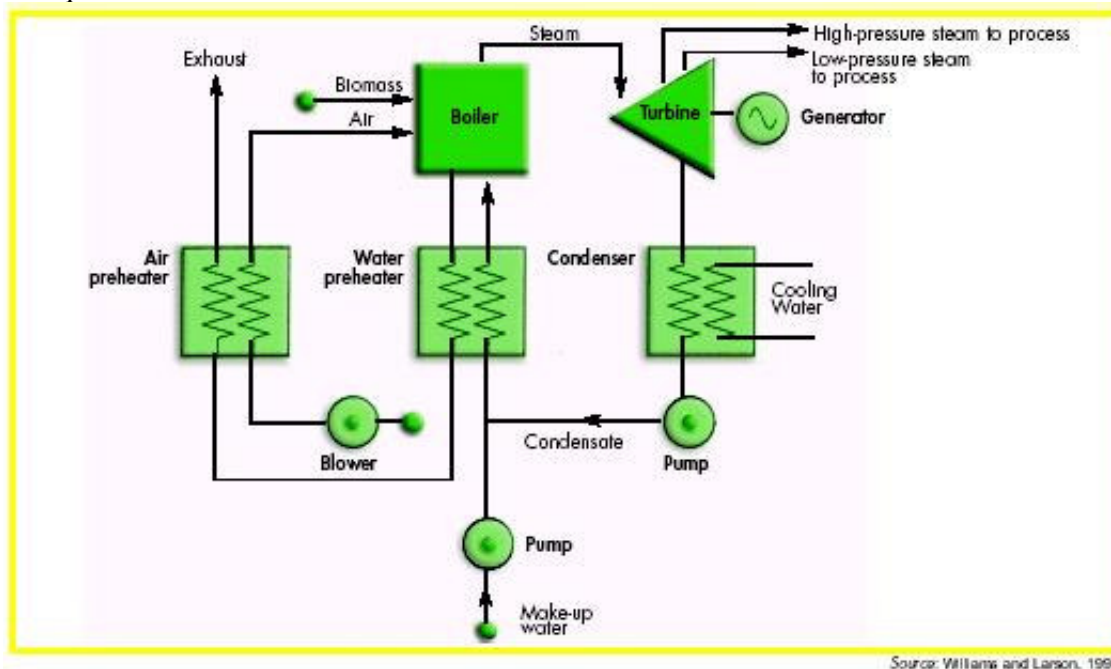


Figure 2: Schematic diagram of a biomass-fired steam-Rankine cycle for cogeneration using a condensing-extraction steam turbine

³ Williams & Larson, 1993 and Kartha & Larson, 2000, p.101



The steam-Rankine cycle uses different boiler designs, depending on the scale of the facility and the characteristics of the fuel being used. The initial pressure and temperature of the steam, together with the pressure to which it is expanded, determine the amount of electricity that can be generated per kilogram of steam. In general, the higher the peak pressure and temperature of the steam, the more efficient, sophisticated, and costly the cycle is.

Using steam-Rankine cycle as the basic technology of its cogeneration system, for achieving an increasing amount of surplus electricity to be generated, Cruz Alta began its efforts in two phases, which are:

Phase 0 (until 2002): Until 2002, Cruz Alta did not use to commercialize electricity. It had two 4 MW and one 2,4 MW backpressure turbo-generators installed and active, totalling 10,4 MW installed capacity. To supply steam, three 22 bar boilers were used.

Phase 1 (2003): In Phase 1, Guarani installed a 21,8 MW backpressure turbo-generator and a 63 bar boiler in Cruz Alta, while deactivating one 2,4 MW backpressure turbo-generator and putting a 22 bar boiler on stand-by, with total capacity in this phase reaching 29,8 MW.

Guarani has a PPA signed with CPFL (Companhia Paulista de Força e Luz, a leading electricity distributor in Brazil), valid from 2003 to 2012, meaning it is contracted to supply electricity. According to this contract, Guarani has to deliver at least 51.360 MWh per year. This is a minimum required for CABCP Phase 1, but the mill can sell any extra-amount produced above of that threshold to CPFL, following PPA's clauses.

Moreover, the technology for expanding the electricity availability from biomass in the sugar industry is, for the local utility companies, an advantage, as the baseload for the utilities in Brazil are supported mainly with hydro-generation and the Sugar Mill, coincidentally, supplies electricity during the dry season.

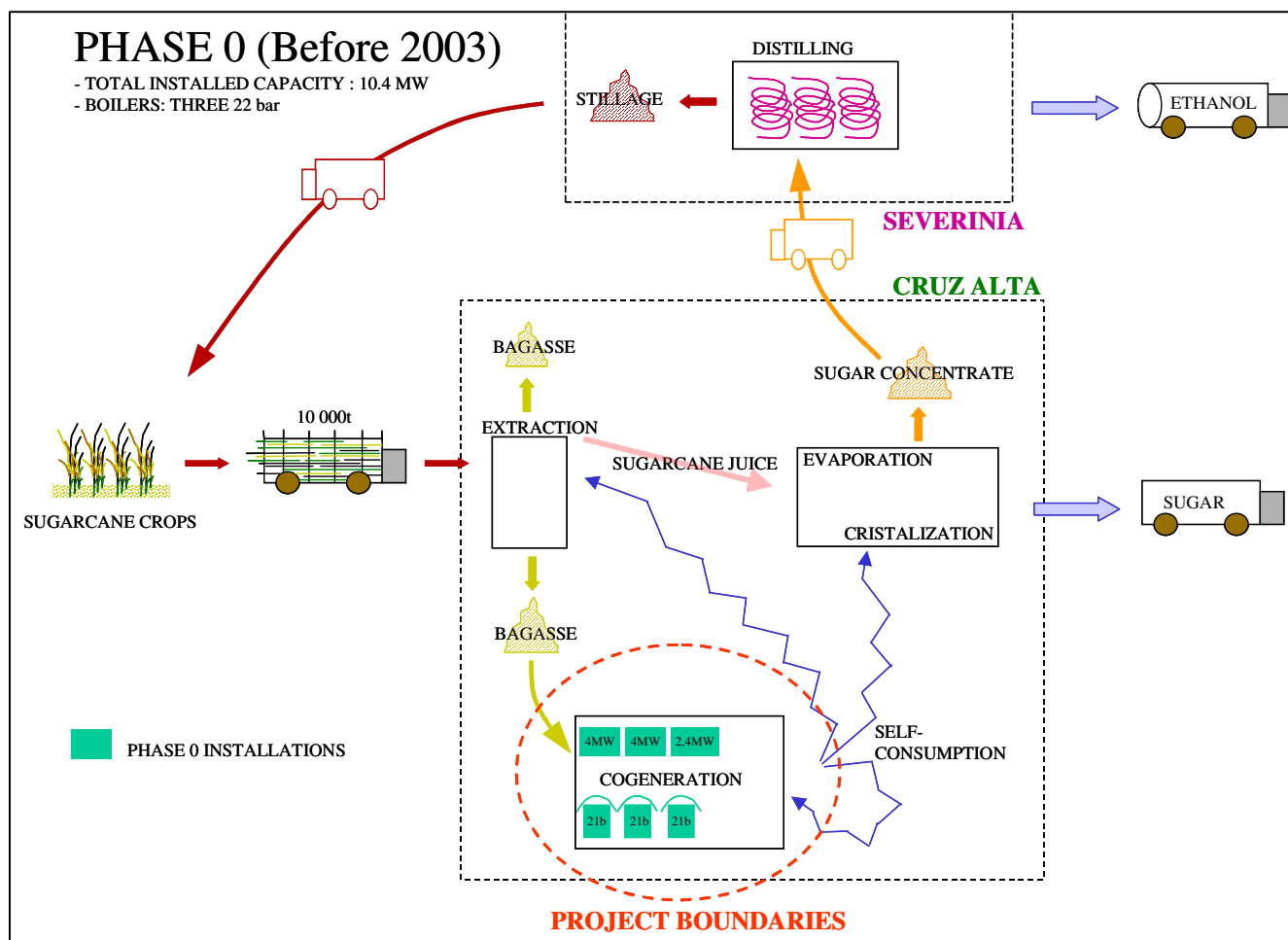


Figure 3: CABCP Phase 0 scheme

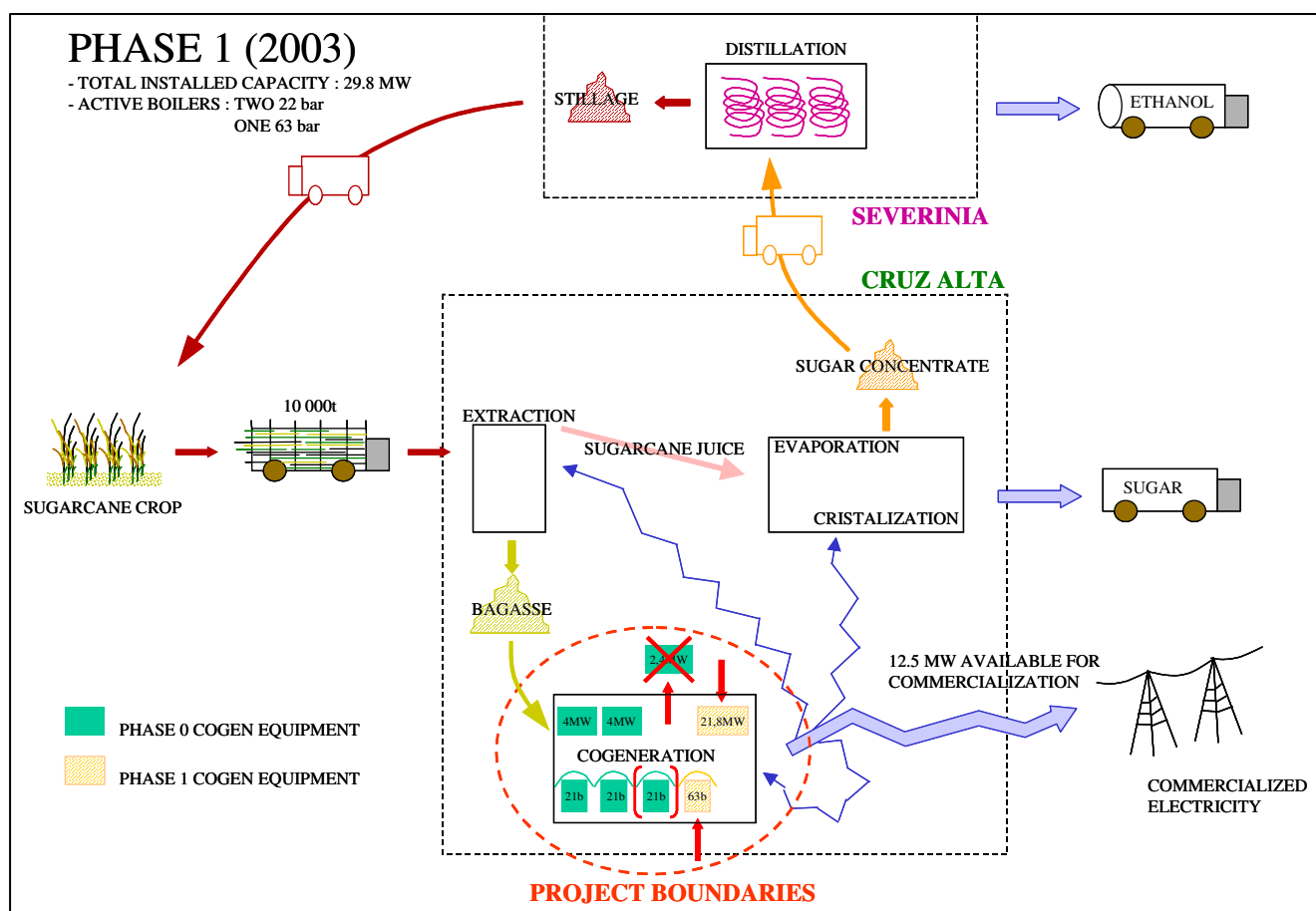


Figure 4: CABCP Phase 1 scheme

Table 1 shows how Cruz Alta's cogeneration infrastructure will be updated according to CABCP phases.

Table 1: Cogeneration equipment upgrades

Phase 0 (until 2002)	Phase 1 (2003)
Total Installed Capacity: 10.4 MW	Total Installed Capacity: 29.8 MW
Active	Active
Turbo-generators: Two 4 MW backpressure One 2.4 MW backpressure	Turbo-generators: One 21.8 MW backpressure Two 4 MW backpressure
Boilers: Three 22 bar	Boilers: One 63 bar Two 22 bar
	Stand By Boilers: One 22 bar
	Uninstalled Turbo-generators: One 2.4 MW backpressure

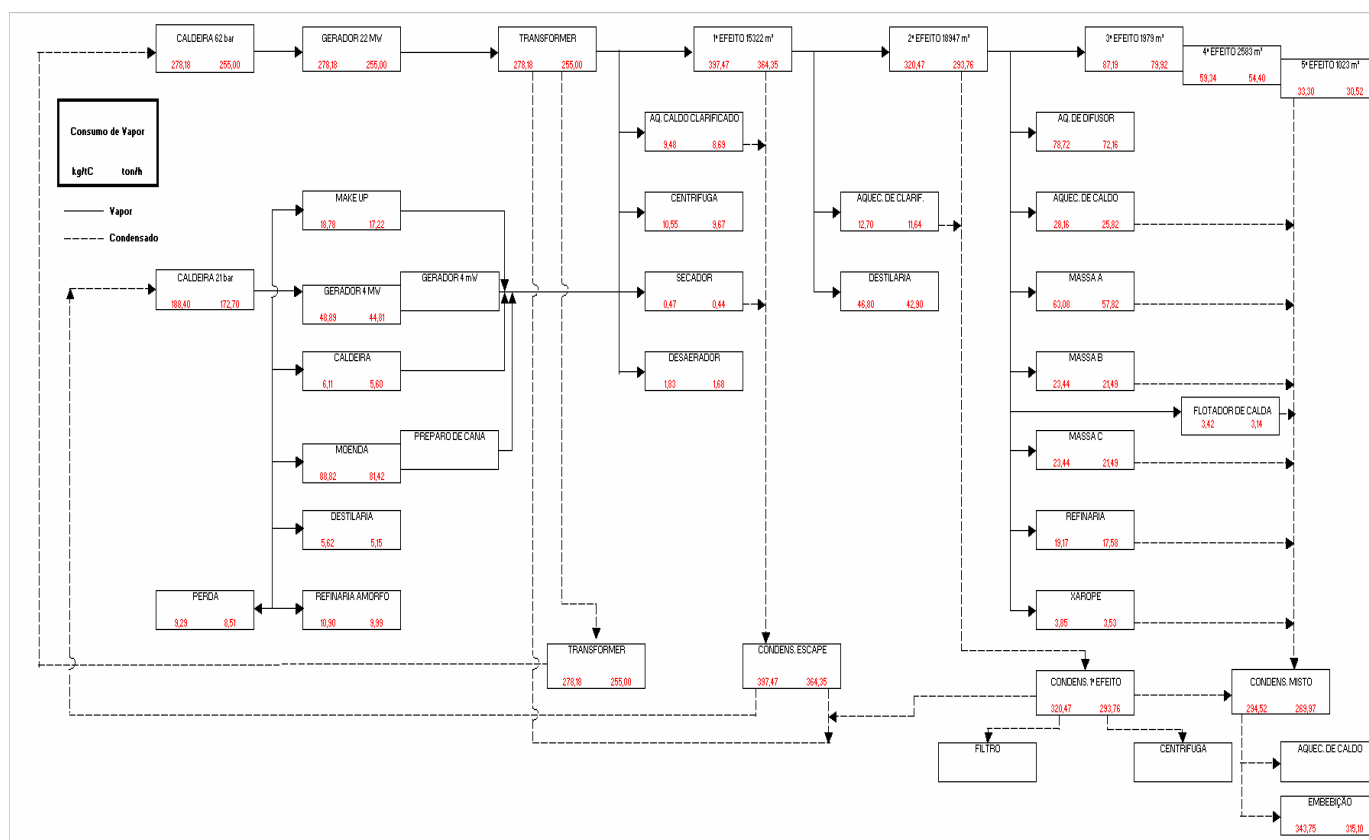


Figure 5: Energy Balance Diagram Document for Phase 1.

Further, as bagasse cogeneration requires a constant bagasse supply to the sugar mill's boilers, if there is an interruption in bagasse supply, for example due to an interruption in sugarcane supply to the mill, the boilers would not be able to produce the steam required by both the sugar/ethanol production process and the power-generation. Therefore, in order to avoid power-generation interruptions, the cogeneration expansion plan in CABCP includes investments in the sugar/ethanol production process that reduce the steam consumption in the sugar and ethanol production processes. This fine-tune improvement is necessary in order to drive as much steam as possible to the cogeneration project. Consequently, the greater the quantity of electricity production, the higher the investment per MWh produced is sought.

A.4.4. Brief explanation of how the anthropogenic emissions of anthropogenic greenhouse gas (GHGs) by sources are to be reduced by the proposed CDM project activity, including why the emission reductions would not occur in the absence of the proposed project activity, taking into account national and/or sectoral policies and circumstances:

By dispatching renewable electricity to a grid, electricity that would otherwise be produced using fossil fuel is displaced. This electricity displacement will occur at the system's margin, i.e. this CDM project will displace electricity that is produced by marginal sources (mainly fossil fueled thermal plants) which have higher electricity dispatching costs and are solicited only over the hours that baseload sources (low-cost or must-run sources) cannot supply the grid (due to higher marginal dispatching costs or fuel storage – in case of hydro sources – constraints).



Bagasse is a fibrous biomass by-product from sugarcane processing, which accounts for about 25 percent on weight of fresh cane and approximately one third of the cane's energy content. In a typical Brazilian sugarcane mill, burning bagasse for generation of process heat and power production is a practice already established. It is estimated that over 700 MW of bagasse-based power capacity is currently installed in the state of São Paulo only⁴. The energy produced from these facilities is almost all consumed for their on purpose. Because of constraints that limit the access of independent power producers to the electric utilities market, there is no incentive for sugarcane mills to operate in a more efficient way. Low-pressure boilers, very little concern with optimal use and control of steam, crushers mechanically activated by steam, energy intensive distillation methods, are a few examples of inefficient methods applied to the sugar industry as normal routine.

The Brazilian electric sector legislation currently recognizes the role of independent power producers, which has triggered interest in improving boiler efficiency and increasing electricity generation at mills, allowing the production of enough electricity not only to satisfy sugar mills' need but also a surplus amount for selling to the electricity market. Furthermore, the ever increasing electricity demand opens an opportunity for some bagasse cogeneration power plants in Brazil. Additionally, the feature of electricity generation from sugarcane coinciding with dry months of the year, when hydroelectric generation system - the most important electricity source in the country - is under stress, should provide considerable complementary energy and make bagasse cogeneration electricity attractive for any potential purchasers.

Nevertheless, some barriers pose a challenge for implementation of this kind of projects. In most cases, the sponsors' culture in the sugar industry is very much influenced by the commodities – sugar and ethanol – market. Therefore, they need an extra incentive to invest in electricity production due to the fact that it is a product that can never be stored in order to speculate with price. The Power Purchase Agreement (PPA) requires different negotiation skills, which is not the core of the sugar industry. For instance, when signing a long-term electricity contract, the PPA, a given sugar mill has to be confident that it will produce sufficient biomass to supply its cogeneration project. Although it seems easy to predict, the volatility of sugarcane productivity may range from 75 to 120 ton of sugarcane per hectare annually depending on the rainfall. So, the revenue from GHG emission reductions and other benefits associated with CDM certification offer a worthy financial comfort for the sugar mills, like Cruz Alta, which is investing to expand its electric power generation capacity and to operate in a more rationale way under the above mentioned new electric sector circumstances.

A.4.4.1. Estimated amount of emission reductions over the chosen crediting period:

1st Crediting Period	(Phase 1) 10/05/2003	2004	2005	2006	2007	2008	2009	09/05/2010	Total CERs
Total CO₂ emissions reductions, tCO₂e/year	5.402	8.883	9.960	9.960	9.960	9.960	9.960	1.423	65.508

This project activity is to reduce **65.508 tCO₂e** over 7 years. CERs produced until Dec/04. Data for 2005 and on are estimates.

⁴ São Paulo. Secretary of Energy, 2001.

**A.4.5. Public funding of the project activity:**

There is no public funding from Parties included in Annex I in this project activity.

SECTION B. Application of a baseline methodology**B.1. Title and reference of the approved baseline methodology applied to the project activity:**

AM0015: Bagasse-based cogeneration connected to an electricity grid.

B.1.1. Justification of the choice of the methodology and why it is applicable to the project activity:

This methodology is applicable to CABCP due to the fact that (i) the bagasse is produced and consumed in the same facility – Cruz Alta -; (ii) the project would never be implemented by the public sector, as well as it would not be implemented in the absence of CDM, as shown in the additionality chapter below; (iii) there is no increase on the bagasse production due to the project activity itself/ and (iv) there will be no bagasse storage for more than one year.

B.2. Description of how the methodology is applied in the context of the project activity:

The project activity follows the steps provided by the methodology taking into account the (b) Simple Adjusted OM calculation for the STEP 1, since there would be no available data for applying to the preferred option – (c) *Dispatch Data Analysis OM*. For STEP 2, the option 1 was chosen. The following table presents the key information and data used to determine the baseline scenario.

ID number	Data type	Value	Unit	Data Source
1. EG _y	Electricity supplied to the grid by the Project.	Obtained throughout project activity lifetime.	MWh	Project owner
2. EF _y	CO ₂ emission factor of the Grid.	0,249	tCO ₂ e/MWh	Calculated
3. EF _{OM,y}	CO ₂ Operating Margin emission factor of the grid.	0,404	tCO ₂ e/MWh	This value was calculated using data information from ONS, the Brazilian electricity system manager.
4. EF _{BM,y}	CO ₂ Build Margin emission factor of the grid.	0,094	tCO ₂ e/MWh	This value was calculated using data information from ONS, the Brazilian electricity system manager.



10. λ_y	Fraction of time during which low-cost/must-run sources are on the margin.	$\lambda_{2001} = 0,520$ $\lambda_{2002} = 0,505$ $\lambda_{2003} = 0,531$	-	This value was calculated using data information from ONS, the Brazilian electricity system manager.
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B.3. Description of how the anthropogenic emissions of GHG by sources are reduced below those that would have occurred in the absence of the registered CDM project activity:

Application of the Tool for the demonstration and assessment of additionality of Cruz Alta.

Step 0. Preliminary screening based on the starting date of the project activity

(a) The starting date of this project falls after 1st January 2000, which is evidenced by the Environmental Installation Licence of CABCP in 9th September 2002.

(b) Guarani has discussed CDM participation in its cogeneration project much before the project start. In fact, it received a proposal to develop a CDM project on the 29th of July 2002. The consequence of these talks was a Project Idea Note dated 4 December 2002, provided to the World Bank Carbon Finance Business by the project developer prior to the project starting date of October 5, 2003.

Step 1. Identification of alternatives to the project activity consistent with current laws and regulations.

Sub-step 1a: Define alternatives to the project activity

1. There were only two possibilities to implement this project activity: one was to continue the current situation of the sugar mill, focusing only on the production of sugar and alcohol and thus investing to enhance the efficiency and increasing the scale of its core business. The other option was the project activity undertaken, which is the investment made to increase steam efficiency and production for electricity sales purposes by acquiring high-efficiency boilers and turbo-generators.

Sub-step 1b: Enforcement of applicable laws and regulations

2. The alternative, which is to continue with the BAU situation before the decision of implementing this CDM project activity is consistence with the applicable laws and regulations.

3. Non applicable.

4. Both the project activity and the alternative scenario are in compliance with all regulations.

Step 3. Barrier analysis

Sub-step 3a: Identify barriers that would prevent the implementation of type of the proposed project activity



1. and 2. According to COELHO (1999)⁵, “large scale cogeneration program in sugar-alcohol sector has not yet occurred, due to several barriers, mainly economic, political and institutional”, such as:

I. Technological Barriers

Technological barriers represent a very important issue for increasing bagasse cogeneration in Brazil, as - despite of the fact that Rankine-cycle is a well known technology - the cogeneration units operate with low-efficiency and are not competitive comparing to other generation options. In this way there is a tricky issue about technology and economic value for such technology. Although this technology is well developed, the economic value for its application is not present for projects on the scale similar to the sugar mills in Brazil. COELHO (1999) justifies that by highlighting that the unit costs (\$/installed MW) are significantly influenced by the scale-effect. As the bagasse cogeneration unit should have a small scale due to the high cost for transportation of the fuel (bagasse), investments are high. Therefore, as a lower cost of capital is wanted, the result is a simplified installation and lower efficiency.

COELHO (1999) also states that the great majority of the sugar mills still rely on inefficient technology, such as on 22 bar pressure boilers, even in the state of São Paulo, the most industrialized in Brazil. Moreover, when there is a necessity to change equipments it is usual not to consider purchasing high-efficiency boilers due to conservativeness, lack of knowledge or even lack of interest to generate surplus steam for electricity sales purposes.

Finally, SWISHER (1997)⁶ considers it difficult to convince the local distributor that the energy to be acquired, generally generated during the harvest season, is sufficiently reliable to be accounted in the distributor's planning.

II. Institutional and Political Barriers

From the electric sector point of view, according to COELHO (1999), acquiring electricity other than hydroelectric would not be a priority, arguing that since bagasse based electricity is generated only during the harvest season, no firm energy could be offered. However, the biggest advantage of the bagasse based electricity is that it is produced during the period where hydroelectric plants face difficulties due to the low level of rains. As a result, COELHO (1999) suggests that there is a significant prejudice and conservativeness of the distributors when deciding whether to purchase bagasse based energy or not.

From the sugar mill point of view, save rare exceptions, COELHO (1999) says that the great majority of sugar mills do not consider investments in cogeneration (for electricity sale) as a priority. The sector “even in the new political context, does not seem to have motivation to invest in a process that it sees with mistrust and no guarantees that the product will have a safe market in the future. Moreover, it is a fact that “the sugar mills are essentially managed by families, which hurdles the association with external financial agents” that would allow the sector to be more competitive and diversifying its investment.

⁵ COELHO, Suani T. *Mecanismos para implementação da cogeração de eletricidade a partir de biomassa: um modelo para o Estado de São Paulo*. São Paulo: Programa interunidades de pós-graduação em energia, 1999.

⁶ SWISHER, J. *Using area-specific cost analysis to identify low incremental-cost renewable energy options: a case study of co-generation using bagasse in the State of São Paulo*. Washington DC: Prepared for Global Environment Facility (GEF) Secretariat, 1997.



From the point of view of the economic agents, the excessive level of the guarantees required to finance the projects is a common barrier to achieving a financial feasibility stage, deeply discussed in SWISHER (1997).

Other barriers have more to do with the lack of adequate commercial contractual agreements from the energy buyers (i.e. bankable long-term contracts and payment guarantee mechanisms for non-creditworthy local public-sector and private customers) making it much more difficult to obtain long-term financing from a commercial bank and/or a development bank. Some other financing barriers occur simply due to prohibitively high transaction costs, which include the bureaucracy to secure the environmental license.

Since 1997, according to SWISHER (1997), the announcement of a Cogeneration Decree has been awaited, and that was supposed to have a positive influence on corporate decision-making with respect to biomass project implementation. The original Cogeneration Decree proposal, which was never approved, called for mandatory purchase by the regional utilities - “*concessionárias*” - from cogenerating and self-generating facilities⁷. Instead of renewable energy, the government expansion plan for electric energy, approved in February 2000 is based on fossil fuel – Natural Gas. This expansion plan called Thermoelectricity Priority Plan (PPT) became a reality right before the energy crisis. The Thermoelectricity Priority Plan beneficiaries, which were mainly natural gas thermal plants, through the Ministry of Mines and Energy (MME) Decree 3.371 from February 2000, counted on guaranteed, long term and attractive price conditions on Natural Gas supply and Energy sales, together with financing from the national development bank BNDES. And though the PPT plan is not likely to be fully implemented, the public-sector policies for renewable energy are not considered reliable enough by the executives of the private sector to support cogeneration expansion in the sugar mills. This assumption is clearly shown in the following list of rules and/or regulations in the energy sector that have been set in the last 10 years:

- **March 1993:** Law 8.631 sets a tariff regulation for electric energy;
- **February 1995:** Law 8.987 establish public concession for energy;
- **July 1995:** Law 9.074 regulates concession for electric energy sector;
- **December 1996:** Law 9.427 creates National Energy Agency (ANEEL);
- **August 1997:** Law 9.478 sets the National Council for Energy Planning (CNPE);
- **October 1997:** Decree 2.335 regulates the ANEEL task;
- **December 1997:** Implements ANEEL;
- **May 1998:** Law 9.648 establishes the Spot Market for Electric Energy (MAE) and the Operator National System (ONS);
- **July 1998:** Decree 2.655 regulates MAE and ONS tasks;
- **February 2000:** Decree 3.371 regulates the Thermoelectricity Priority Plan (PPT);

⁷ Presidential Decree on the co-generation of electric energy, draft of 5 August 1997.



- **April 2002:** Law 10.438 sets the Program for Incentive Alternative Energy (PROINFA), stating that contracts shall be signed within 24 months from its date and that there will be different economic values for the acquisition of 3.300MW of electricity capacity from renewable sources by the state owned Eletrobrás, for plants starting operations before December 30, 2006;
- **August 2002:** MP 64 is a presidential act to change the constitution in order to permit the energy sector regulation including the PROINFA;
- **December 2002:** Resolution 4.541 from ANEEL regulates the implementation of PROINFA, stating that economic values would be defined within 90 days;
- **March 2003:** Decree 4.644 postponed for 180 days, from its date, the economic value and operational guidelines announcement;
- **June 2003:** Decree 4.758 indefinitely postponed the date for the economic value and operational guidelines announcement and revoked the above mentioned Decree 4.644.
- **November 2003:** Law 10.762 of 11 November/03 revised Law 10.438 of 26 April 2002 institutes PROINFA.
- **March 2004:** Decree 5.025 regulates the Law 10.438 as of 26 April 2002.

For this CDM project analysis purposes, at the time the project started there were no institutional incentive like PROINFA to be considered. Therefore, the company's decision to sign a long-term PPA with the local distributor undoubtedly represented a significant risk that the mill was willing to take, partially thanks to the expected CDM revenue.

III. Economic and Investment Barriers

“There are several reasons for the Brazilian utilities' reluctance to offer higher prices for co-generated power. One important reason stems from their assumption that their costs are geographically uniform – i.e., that there is essentially a single value for their avoided cost in the industrial sector. If this cost value does not indicate that sufficient savings are available from buying co-generated power, and then there is little economic motivation, under either a public monopoly or a privatized competitive structure, for a utility to pay enough for co-generation to satisfy potential investors' financial criteria”⁸ as stated by SWISHER (1997). In fact, the economic cost is the reason that Brazilian utilities do not buy cogeneration electricity energy, at least, while the energy sector regulation does not guarantee them the right to pass such cost through to the end user tariff. The cost of cogeneration electricity ranges from US\$ 35 to US\$ 105 per MWh, according to the Expansion Plan 2001-2010 from Brazil Government, which is described as higher than the marginal cost for electricity expansion in the system – US\$ 33/MWh⁹.

COELHO (1999) also highlights as one of the major problems of selling surplus energy to the grid as being the economic value paid to the sugar mills which not enough to remunerate the capital invested in

⁸ Joel Swisher personal communication with Rolls Royce Power Ventures project manager. Mark Croke, August 26, 1997. Swisher J. 1997 pg. 76.

⁹ “As may be seen, the unit costs of the alternative sources of energy are still high compared to the marginal cost of expanding the system, nowadays calculated as US\$33/MWh”. Translation by Econergy Brasil. IN: BRAZIL, Ministry of Mines and Energy, 2001, pg. 80.



the expansion of a cogeneration project. Furthermore, “the fee for accessing the grid does not contribute for making feasible the sale of the surplus energy to the distributors”.

Summarizing, SWISHER (1997) considers that the main difficulties are found in: (a) **small sizes of projects and installation costs**: as the fixed costs are high and usually installations do not tend to be large, there is a huge economic barrier towards implementation of these sort of projects, as returns will be low comparing with such fixed costs. (b) **availability of long-term financing**: traditionally, infrastructure projects used to have had wide access to long-term financing, situation that has changed after the electric sector privatization. (c) **lack of guarantees**: besides technical guarantees, investors require commercial guarantees establishing a paradox: the objective of privatization is to foster a market based economy but banks still require governmental guarantees to ensure long-term investments in the private sector, (d) **lack of local funding**: lack of familiarity with project finance tools and due to the high interest rates in Brazil.

IV. Cultural Barrier

Due to the nature of the business in the sugar industry the marketing approach is narrowly focused on commodity type of transaction. Therefore, the electricity transaction based on long-term contract (Power Purchase Agreement) represents a significant breakthrough in their business model. In this case, the electricity transaction has to represent a safe investment opportunity from both economical and social-environmental perspective for convincing the sugar mills to invest in.

There are also questions regarding the managerial capacity of the companies that comprise the Brazilian sugarcane industry. According to WALTER (1994)¹⁰, they have in many cases demonstrated the will to undertake investments in new technologies, but without sufficient financial and entrepreneurial capacity to complete such projects.

Sub-step 3b: Show that the identified barriers would not prevent the implementation of at least one of the alternatives (except the proposed project activity).

The alternative to this project activity was to keep the current situation and focus strictly in its core business which is the production of sugar and alcohol. Therefore, as the barriers mentioned above are directly related to entering into a new business (electricity sale), there is no impediment for sugar mills to maintain (or even invest in) its core business.

Step 4. Common practice analysis.

Sub-step 4a: Analyze other activities similar to the proposed project activity

The sugar sector, historically, always exploited its biomass (bagasse) in an inefficient manner by making use of low-pressure boilers. Although they consume almost all of their bagasse for self-energy generation purposes, it is done in such a manner that no surplus electric energy is available for sale, and no sugar company has ventured in the electricity market until the recent years.

¹⁰ WALTER, A.C.S. *Viabilidade e perspectivas da co-geração e geração termelétrica no setor sucro-alcooleiro*, 1994. Thesis (Doctorate). UNICAMP, Campinas.



Similar project activities have been implemented by leading companies in this industry, mainly after Vale do Rosário started to implement its project that clearly served as a sector benchmark. However, these are few examples in a universe of about 320 sugar mills. Currently, other similar project activities under implementation are, for example, Santa Cândida, Moema, Equipav, Nova América. All together similar projects in the sugar industry in Brazil are restricted to approximately 10% of the sugar industry, since the other 90% are still burning their bagasse for on-site use only in the old-fashioned inefficient way. That clearly shows that just a small part of this sector is willing to invest in cogeneration projects. Moreover, majority of similar projects currently being implemented are carried out as CDM project activities. So far, Econergy Brasil has reported at least 26 CDM bagasse cogeneration projects in Brazil.

Sub-step 4b: Discuss any similar options that are occurring

This project activity type is not considered as a widely spread activity in Brazil as only a small portion of the existing sugar mills in the country actually produce electricity for sale purposes. Also, most of the existing similar activities are being developed as CDM project activities.

Step 5. Impact of CDM registration

The impact of registration of this CDM project activity will contribute to overcoming all the barriers described in this Tool: technological, institutional and political, economic and investment and cultural barriers by bringing more solidity to the investment itself and, therefore, fostering and supporting the project owners' breakthrough decision to expand their business model. In this way, the project activity is already engaged in a deal to sell its expected CERs.

Notwithstanding, the benefits and incentives mentioned in the text of the Tool for demonstration and assessment of additionality, published by the CDM-EB, will be experienced by the project activities such as: the project will achieve the aim of anthropogenic GHG reductions; financial benefit of the revenue obtained by selling CERs will bring more robustness to the project's financial situation; and it is likely to attract new players and new technology (there are companies currently developing new type of boilers – extra-efficient – and the purchase of such equipment is to be fostered by the CER sales revenue) and reducing the investor's risk.

B.4. Description of how the definition of the <u>project boundary</u> related to the <u>baseline methodology</u> selected is applied to the <u>project activity</u>:

The definition of the project boundary related to the baseline methodology is applied to the project activity in the following way:

Baseline energy grid: For CABCP, the South-Southeast and Midwest subsystem of the Brazilian grid is considered as a boundary, since it is the system to which Cruz Alta is connected and therefore receives all the bagasse-based produced electricity.

Bagasse cogeneration plant: the bagasse cogeneration plant considered as boundary comprises the whole site where the cogeneration facility is located.

B.5. Details of <u>baseline</u> information, including the date of completion of the baseline study and the name of person (s)/entity (ies) determining the <u>baseline</u>:



1. Date of completing the final draft of this baseline section: 25/08/2005.
2. Name of person/entity determining the baseline

ECONERGY BRASIL (Contact information in Annex 1), which is participant in this project, is responsible for the technical services related to GHG emission reductions, and is therefore, in behalf of Cruz Alta, the developer of this document, and all its contents.

SECTION C. Duration of the project activity / Crediting period**C.1 Duration of the project activity:****C.1.1. Starting date of the project activity:**

10/05/2003.

C.1.2. Expected operational lifetime of the project activity:

25y-0m.¹¹

C.2 Choice of the crediting period and related information:**C.2.1. Renewable crediting period****C.2.1.1. Starting date of the first crediting period:**

10/05/2003.

C.2.1.2. Length of the first crediting period:

7y-0m

C.2.2. Fixed crediting period:**C.2.2.1. Starting date:**

NA

C.2.2.2. Length:

NA

¹¹ Specialists from the Brazilian National Agency of Electric Power (ANEEL - *Agência Nacional de Energia Elétrica*) suggest using 25 years of lifetime for steam turbines, combustion turbines, combined cycle turbines and nuclear power plants, according to Bosi, 2000, p. 29.

**SECTION D. Application of a monitoring methodology and plan****D.1. Name and reference of approved monitoring methodology applied to the project activity:**

Approved monitoring methodology AM0015: “Bagasse-based cogeneration connected to an electricity grid”

D.2. Justification of the choice of the methodology and why it is applicable to the project activity:

The monitoring methodology was designed to be applied to the Vale do Rosario CDM Project. Due to the great similarity of the project, the same methodology was chosen in order to monitor the emissions reduction of this project activity.

The methodology considers monitoring emissions reductions generated from cogeneration projects with sugarcane bagasse. The energy produced by the project could be electricity exported to a grid-connected system and/or energy used to substitute fossil fuel off-grid connected. And that is exactly the case with CABCP: the project exploits a by-product from the sugarcane milling process (bagasse) to produce and commercialize renewable electricity connected to a regional Brazilian grid. The methodology is therefore fully applicable to CABCP.

Moreover, besides being a methodology to be used in conjunction with the approved baseline methodology AM0015 (“Bagasse-based cogeneration connected to an electricity grid”), the same applicability conditions are described and justified in item B1.1 of this document.

**D.2. 1. Option 1: Monitoring of the emissions in the project scenario and the baseline scenario**

There is no project emission to be considered in this project activity.

D.2.1.1. Data to be collected in order to monitor emissions from the project activity, and how this data will be archived:

ID number (Please use numbers to ease cross-referencing to D.3)	Data variable	Source of data	Data unit	Measured (m), calculated (c) or estimated (e)	Recording frequency	Proportion of data to be monitored	How will the data be archived? (electronic/ paper)	Comment

D.2.1.2. Description of formulae used to estimate project emissions (for each gas, source, formulae/algorithm, emissions units of CO₂ equ.)

Not Applicable

D.2.1.3. Relevant data necessary for determining the baseline of anthropogenic emissions by sources of GHGs within the project boundary and how such data will be collected and archived :

ID number (Please use numbers to ease cross-referencing to table D.3)	Data variable	Source of data	Data unit	Measured (m), calculated (c), estimated (e),	Recording frequency	Proportion of data to be monitored	How will the data be archived? (electronic/ paper)	Comment



1. EG_y	Electricity supplied to the grid by the Project.	Readings of the energy metering connected to the grid and Receipt of Sales.	MWh	M	Monthly	100%	Electronic and paper	Double check by receipt of sales. Will be archived according to internal procedures, until 2 years after the end of the crediting period.
2. EF_y	CO ₂ emission factor of the Grid.	Calculated	tCO ₂ e/MWh	C	At the validation and yearly after registration	0%	Electronic and paper	Will be archived according to internal procedures, until 2 years after the end of the crediting period.
3. $EF_{OM,y}$	CO ₂ Operating Margin emission factor of the grid.	Factor calculated from ONS, the Brazilian electricity system manager.	tCO ₂ e/MWh	C	At the validation and yearly after registration	0%	Electronic and paper	Will be archived according to internal procedures, until 2 years after the end of the crediting period.
4. $EF_{BM,y}$	CO ₂ Build Margin emission factor of the grid.	Factor calculated from ONS, the Brazilian electricity system manager.	tCO ₂ e/MWh	C	At the validation and yearly after registration	0%	Electronic and paper	Will be archived according to internal procedures, until 2 years after the end of the crediting period.
10. λ_y	Fraction of time during which low-cost/ must-run sources are on the margin.	Factor calculated from ONS, the Brazilian electricity system manager.	index	C	At the validation and yearly after registration	0%	Electronic and paper	Will be archived according to internal procedures, until 2 years after the end of the crediting period.

D.2.1.4. Description of formulae used to estimate baseline emissions (for each gas, source, formulae/algorithm, emissions units of CO₂ equ.)

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$EF_{OM, simple_adjusted, y} = (1 - \lambda_y) \frac{\sum_j F_{i,j,y} \cdot COEF_{i,j}}{\sum_j GEN_{j,y}} + \lambda_y \frac{\sum_k F_{i,k,y} \cdot COEF_{i,k}}{\sum_k GEN_{k,y}} \text{ (tCO}_2\text{e/GWh)}$ $EF_{electricity} = w_{OM} EF_{OM} + w_{BM} EF_{BM} \text{ (tCO}_2\text{e/GWh)}$ $BE_{electricity, y} = EF_{electricity} \cdot EG_y$	<p>$F_{i,j(or m),y}$ Is the amount of fuel i (in a mass or volume unit) consumed by relevant power sources j in year(s) y</p> <p>j, m Refers to the power sources delivering electricity to the grid, not including low-operating cost and must-run power plants, and including imports⁴ from the grid</p> <p>$COEF_{i,j(or m),y}$ Is the CO₂ emission coefficient of fuel i (tCO₂ / mass or volume unit of the fuel), taking into account the carbon content of the fuels used by relevant power sources j (or m) and the percent oxidation of the fuel in year(s) y, a</p> <p>$GEN_{j(or m),y}$ Is the electricity (MWh) delivered to the grid by source j (or m)</p> <p>$BE_{electricity,y}$ Are the baseline emissions due to displacement of electricity during the year y in tons of CO₂.</p> <p>w_{OM}, w_{BM} Are the weights given to the operating margin (OM) and the build margin (BM) in the emission factor calculation.</p> <p>EG_y Is the net quantity of electricity generated in the bagasse-based cogeneration plant due to the project activity during the year y in MWh, and</p> <p>$EF_{electricity,y}$ Is the CO₂ baseline emission factor for the electricity.</p>
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D. 2.2. Option 2: Direct monitoring of emission reductions from the project activity (values should be consistent with those in section E).

D.2.2.1. Data to be collected in order to monitor emissions from the project activity, and how this data will be archived:

ID number (Please use numbers to ease cross-referencing to table D.3)	Data variable	Source of data	Data unit	Measured (m), calculated (c), estimated (e),	Recording frequency	Proportion of data to be monitored	How will the data be archived? (electronic/ paper)	Comment

D.2.2.2. Description of formulae used to calculate project emissions (for each gas, source, formulae/algorithm, emissions units of CO₂ equ.):

Not Applicable

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**D.2.3. Treatment of leakage in the monitoring plan****D.2.3.1. If applicable, please describe the data and information that will be collected in order to monitor leakage effects of the project activity**

ID number (Please use numbers to ease cross-referencing to table D.3)	Data variable	Source of data	Data unit	Measured (m), calculated (c) or estimated (e)	Recording frequency	Proportion of data to be monitored	How will the data be archived? (electronic/paper)	Comment

D.2.3.2. Description of formulae used to estimate leakage (for each gas, source, formulae/algorithm, emissions units of CO₂ equ.)

Not Applicable

D.2.4. Description of formulae used to estimate emission reductions for the project activity (for each gas, source, formulae/algorithm, emissions units of CO₂ equ.)

$$ER_y = BE_{\text{thermal}, y} + BE_{\text{electricity}, y} - PE_y - L_y$$

$$BE_{\text{thermal}, y} = 0$$

$$PE_y = 0$$

$$L_y = 0$$

$$BE_{\text{electricity}, y} = EF_{\text{electricity}} \cdot EG_y$$

ER_y: are the emissions reductions of the project activity during the year y in tons of CO₂

BE_{electricity,y}: Are the baseline emissions due to displacement of electricity during the year y in tons of CO₂

BE_{thermal,y}: Are the baseline emissions due to displacement of thermal energy during the year y in tons of CO₂

PE_y: Are the project emissions during the year y in tons of CO₂.

L_y: Are the leakage emissions during the year y in tons of CO₂.

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**D.3. Quality control (QC) and quality assurance (QA) procedures are being undertaken for data monitored**

Data (Indicate table and ID number e.g. 3.-1.; 3.2.)	Uncertainty level of data (High/Medium/Low)	Explain QA/QC procedures planned for these data, or why such procedures are not necessary.
1	Low	These data will be directly used for calculation of emission reductions. Sales record and other records are used to ensure the consistency.
2	Low	Data does not need to be monitored
3	Low	Data does not need to be monitored
4	Low	Data does not need to be monitored
10	Low	Data does not need to be monitored

D.4 Please describe the operational and management structure that the project operator will implement in order to monitor emission reductions and any leakage effects, generated by the project activity

The structure for monitoring this project activity will basically consist of registering the amount of energy sold to the grid (EG_y). There are two operations that the project operators must perform in order to ensure data consistency, despite of the fact that this will actually consist of the monitoring of one single variable.

1. The monthly readings of the calibrated meter equipment must be recorded in an electronic spreadsheet
2. Sales receipt must be archived for double checking the data. In case of inconsistency, these are the data to be used.

Moreover, according to the law, the meter equipment shall be periodically calibrated to comply with the regulations for independent power producers connected to the regional grid.

D.5 Name of person/entity determining the monitoring methodology:

ECONERGY BRASIL (Contact information in Annex 1), which is a participant in this project, is responsible for the technical services related to GHG emission reductions, and is therefore, in behalf of Cruz Alta, the developer of this document, and all its contents.

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**SECTION E. Estimation of GHG emissions by sources****E.1. Estimate of GHG emissions by sources:**

This project activity does not burn any additional quantity of fossil fuel due to the project implementation. Therefore, the variable PE_y , presented in the methodology, does not need to be monitored.

Thus, $PE_y = 0$

E.2. Estimated leakage:

Cruz Alta did not sell sugarcane bagasse before the implementation of CABCP.

Thus, $L_y = 0$

E.3. The sum of E.1 and E.2 representing the project activity emissions:

$L_y + PE_y = 0$

E.4. Estimated anthropogenic emissions by sources of greenhouse gases of the baseline:

The baseline methodology considers the determination of the emissions factor for the grid to which the project activity is connected as the core data to be determined in the baseline scenario. In Brazil, there are two main grids, South-Southeast-Midwest and North-Northeast, therefore the South-Southeast-Midwest Grid is the relevant one for this project.

The method that will be chosen to calculate the Operating Margin (OM) for the electricity baseline emission factor is the option (b) *Simple Adjusted OM*, since the preferable choice (c) *Dispatch Data Analysis OM* would face the barrier of data availability in Brazil.

In order to calculate the Operating Margin, daily dispatch data from the Brazilian electricity system manager (ONS) needed to be gathered. ONS does not regularly provide such information, which implied in getting it through communicating directly with the entity.

The provided information comprised years 2001, 2002 and 2003, and is the most recent information available at this stage (At the end of 2004 ONS supplied raw dispatch data for the whole interconnected grid in the form of daily reports¹² from Jan. 1, 2001 to Dec. 31, 2003, the most recent information available at this stage).

Simple Adjusted Operating Margin Emission Factor Calculation

According to the methodology, the project is to determine the Simple Adjusted OM Emission Factor ($EF_{OM, \text{ simple adjusted}, y}$). Therefore, the following equation is to be solved:

¹² *Acompanhamento Diário da Operação do Sistema Interligado Nacional*. ONS-CNOS, Centro Nacional de Operação do Sistema. Daily reports on the whole interconnected electricity system from Jan. 1, 2001 to Dec. 31, 2003.



$$EF_{OM, simple_adjusted, y} = (1 - \lambda_y) \frac{\sum_j F_{i,j,y} \cdot COEF_{i,j}}{\sum_j GEN_{j,y}} + \lambda_y \frac{\sum_k F_{i,k,y} \cdot COEF_{i,k}}{\sum_k GEN_{k,y}} \quad (\text{tCO}_2\text{e/GWh})$$

It is assumed here that all the low-cost/must-run plants produce zero net emissions.

$$\frac{\sum_{i,k} F_{i,k,y} \cdot COEF_{i,k}}{\sum_k GEN_{k,y}} = 0 \quad (\text{tCO}_2\text{e/GWh})$$

Please refer to the methodology text or the explanations on the variables mentioned above.

The ONS data as well as the spreadsheet data with the calculation of emission factors have been provided to the validator (DOE). In the spreadsheet, the dispatch data is treated as to allow calculation of the emission factor for the most three recent years with available information, which are 2001, 2002 and 2003.

The Lambda factors were calculated in accordance with methodology requests. More detailed information is provided in Annex 3. The table below presents such factors.

Year	Lambda
2001	0,5204
2002	0,5053
2003	0,5312

Electricity generation for each year needs also to be taken into account. This information is provided in the table below.

Year	Electricity Load (MWh)
2001	263.706.242
2002	275.402.896
2003	288.493.929

Using therefore appropriate information for $F_{i,j,y}$ and $COEF_{i,j}$, OM emission factors for each year can be determined, as follows.

$$EF_{OM, simple_adjusted, 2001} = (1 - \lambda_{2001}) \frac{\sum_j F_{i,j,2001} \cdot COEF_{i,j}}{\sum_j GEN_{j,2001}} \therefore EF_{OM, simple_adjusted, 2001} = 0,3524 \text{ tCO}_2/\text{MWh}$$

$$EF_{OM, simple_adjusted, 2002} = (1 - \lambda_{2002}) \frac{\sum_j F_{i,j,2002} \cdot COEF_{i,j}}{\sum_j GEN_{j,2002}} \therefore EF_{OM, simple_adjusted, 2002} = 0,4207 \text{ tCO}_2/\text{MWh}$$



$$EF_{OM, simple_adjusted, 2003} = (1 - \lambda_{2003}) \frac{\sum_{i,j} F_{i,j,2003} \cdot COEF_{i,j}}{\sum_j GEN_{j,2003}} \therefore EF_{OM, simple_adjusted, 2003} = 0,4396 \text{ tCO}_2/\text{MWh}$$

Finally, to determine the baseline *ex-ante*, the mean average among the three years is calculated, finally determining the $EF_{OM, simple_adjusted}$.

$$EF_{OM, simple_adjusted\ 2001_2003} = 0,404 \text{ tCO}_2/\text{MWh}$$

According to the methodology used, a Build Margin emission factor also needs to be determined.

$$EF_{BM, y} = \frac{\sum_{i,m} F_{i,m,y} \cdot COEF_{i,m}}{\sum_m GEN_{m,y}}$$

Electricity generation in this case means 20% of total generation in the most recent year (2003), as the 5 most recent plants built generate less than such 20%. Calculating such factor one reaches:

$$EF_{BM, 2003} = 0,094 \text{ tCO}_2/\text{MWh}$$

Finally, the electricity baseline emission factor is calculated through a weighted-average formula, considering both the OM and the BM, being the weights 50% and 50% by default. That gives:

$$EF_{electricity, 2001-2003} = 0,5 * 0,404 + 0,5 * 0,094 = 0,249 \text{ tCO}_2/\text{MWh}$$

It is important to note that adequate considerations on the above weights are currently under study by the Meth Panel, and there is a possibility that such weighing changes in the methodology applied here.

The baseline emissions would be then proportional to the electricity delivered to the grid throughout the project's lifetime. Baseline emissions due to displacement of electricity are calculated by multiplying the electricity baseline emissions factor ($EF_{electricity, 2001-2003}$) with the electricity generation of the project activity.

$$BE_{electricity, y} = EF_{electricity, 2001-2003} \cdot EG_y$$

Therefore, for the first crediting period, the baseline emissions will be calculated as follows:

$$BE_{electricity, y} = 0,249 \text{ tCO}_2/\text{MWh} \cdot EG_y \text{ (in tCO}_2\text{e)}$$

E.5. Difference between E.4 and E.3 representing the emission reductions of the project activity:

The emissions reduction of this project activity is:

$$ER = BE_{electricity, y} - (L_y + PE_y) = 0,249 \text{ tCO}_2/\text{MWh} \cdot EG_y - 0 \rightarrow ER = 0,249 \text{ tCO}_2/\text{MWh} \cdot EG_y$$

**E.6. Table providing values obtained when applying formulae above:**

Guarani Bagasse Cogeneration Project										
Grid-Connected Emission Reduction	Item	10/5/2003	2004	2005	2006	2007	2008	2009	9/5/2010	Total CERs
	Installed Capacity, MW	29,8	29,8	29,8	29,8	29,8	29,8	29,8	29,8	
	Electric energy to be sold to CPFL MWh/year	21.694	35.676	40.000	40.000	40.000	40.000	40.000	5.714	
	Baseline emission factor tCO2e/MWh	0,249	0,249	0,249	0,249	0,249	0,249	0,249	0,249	
	Total CO2 emissions reductions, tCO2e/year	5.402	8.883	9.960	9.960	9.960	9.960	9.960	1.423	
Electricity produced until Dec/04. Data for 2005 and on are estimates.										

Total emission reductions for the first crediting period are estimated to be 65.508 tCO₂e.

SECTION F. Environmental impacts**F.1. Documentation on the analysis of the environmental impacts, including transboundary impacts:**

One impact that causes a great concern within the sugarcane industry is the one happening on watercourses or sheds from stillage, a by-product from sugarcane processing very rich in potassium and organic matter. To discard it without treatment could easily lead to eutrophication of those environments and cause severe problems, such as massive death of living creatures having that environment as habitat and by that acidification of the water.

Being Brazil the biggest sugarcane producer in the world, the environmental problems that could arise from the irresponsible management of such waste could be huge. To avoid such degradation, tough environmental legislation was put in place to minimize those impacts. And Guarani is fully complying with that legislation, using the stillage diluted in the cane fields as a fertilizer, respecting the threshold for potassium concentration in the fluid.

Moreover, Guarani takes a great concern in the global environmental impact of the sugarcane production due to the use of chemicals products. In order to improve its general management, 8% of the area where Guarani gets its cane from is under conversion for producing organic cane. It means, in compliance with the technical norms of organic production, no use of fertilizers or other agrochemicals, and shows another commitment of the company to reduce the agricultural impacts its activities cause. The first benefice of this news production practices is a reduction of the pesticides' use on the whole cultivated area. This is due to the implementation of a biological control toward one of the main pest of sugarcane (*Broca de cana*). Regarding the use of herbicides, the growth of mechanized harvest will led to a sugarcane straw deposit directly on the field. Current studies have shown that this material is a natural herbicide.

DAIA is the department within the secretary of environment responsible for analyzing environmental impacts arising from a project. After receiving and considering the Preliminary Environmental Report (RAP) – a demand from CETESB for projects that do not require an environmental impact assessment,



DAIA issued a report about CABCP. According to its conclusions, CETESB must add the following demands, additional to its own:

1. Present in detail a plan to control and monitor gaseous emissions from the boilers;
2. Recover vegetation around the point where the plant takes its water, planting 34,800 seedlings with some of the region's native species, following the forestry technical procedure 211/01-E.T.SJ, from the natural resources department of the São José do Rio Preto municipality;
3. Not log native trees or any vegetation in permanent preservation areas (APP's) when implementing the substation. Also, the transmission line must only pass over the areas indicated by the project design, including APP's, following the forestry technical procedure 018/02-E.T.RB, from the natural resources department of the Barretos municipality;
4. Present the final administrative authorizations from the department of electricity, water and sewage (DAEE), relating to damming, taking, and launching water in Córrego Babaçu (Babaçu watercourse), and relating to taking underground water using deep pipes.

Guarani was then granted the Installation License for CABCP; however, CETESB added 2 other technical demands for the project, stated below:

5. Give proper destination to industrial and domestic solid waste, not causing environmental pollution, following pertinent national environmental legislation;
6. The launch of pollutants in the atmosphere, from the boilers, must be done using chimneys, and the colorimetric density of the smog must comply with article 31 of State Law 997/76 regulation.

Guarani has complied with all these requirements, as was confirmed by a technical inspection made by a CETESB agent in July 2003. The Working License has already been granted by CETESB.

There will be no transboundary impacts resulting from CABCP. All the relevant impacts occur within Brazilian borders and have been mitigated to comply with the environmental requirements for project's implementation.

F.2. If environmental impacts are considered significant by the project participants or the host Party, please provide conclusions and all references to support documentation of an environmental impact assessment undertaken in accordance with the procedures as required by the host Party:

The impacts from CABCP are not considered significant. They arise from activities (cane crushing and bagasse burning) that were already in place before the project, though in different conditions and circumstances.

SECTION G. Stakeholders' comments

G.1. Brief description how comments by local stakeholders have been invited and compiled:

The stakeholder consultation process for CABCP was carried through different ways. Initially, on the 3rd of June, 2003, Guarani held a meeting at Cruz Alta in order to present the project to its employees,



inviting all the ones that could attend to the meeting. The objective was to answer the various questions raised in the firm, since the announcement of Açúcar Guarani's participation to the Kyoto Protocol.

Later, on the 5th of June 2003, Guarani held another meeting. The most important local stakeholders were invited to get to know about the Kyoto Protocol and Guarani's project at Cruz Alta. They were:

- Câmara dos Vereadores de Olímpia / *Municipal Legislation Chamber of Olímpia*
- Prefeitura Municipal de Olímpia / *Municipal Administration of Olímpia*
- Ministério Público de Olímpia / *Public Ministry of Olímpia*
- Secretaria de Meio Ambiente do Município de Olímpia / *Environment Secretary of Olimpia*
- Secretaria do Meio Ambiente do Estado de São Paulo/ *Environment Secretary of Sao Paulo State*
- Fórum Brasileiro de ONGs / *Brazilian NGO Forum*
- Rotary Club de Olímpia / *Rotary Club of Olímpia*
- Rotary Club Internacional / *International Rotary Club*

The meeting was divided in 4 rounds, being: welcoming the guests, introduction of global warming and the Kyoto Protocol, presentation of CABCP, and visit to the new installations. All the explanations were made in simple language, attempting to the fact the most of the participants did not have any familiarity with the issue.

- Introduction to Global Warming and the Kyoto Protocol: In this part, Guarani presented a short historical review of the last environmental steps, occurring since the main reunion hold in 1992, in the city of Rio de Janeiro. This part of the presentation gave the opportunity to remind the audience what the GreenHouseGas Effect is and what the commitments of each country involved in the Kyoto Protocol are.
- Presentation of CABCP: After the historical explanation presented in the first round, Guarani presented its project. The objective was to explain what exactly cogeneration is and why selling electricity produced with biomass can be considered as an environmental project. The following points were explained in details:
 1. What cogeneration is and why it is new to produce energy for the grid.
 2. What the 4 reasons are that made CABCP, an environmental project:
 - ⇒ GHG emission reduction project;
 - ⇒ Utilisation of a waste to produce energy;
 - ⇒ Utilisation of biomass instead of fossils combustibles;
 - ⇒ Lack of “clean” electricity in Brazil in the future.
 3. What renewable combustible is and why electricity produced with biomass can be considered as “clean” electricity.
 4. The life cycles of carbon (balance between photosynthesis and respiration) for a forest and for an annual crop like sugarcane.



5. How to evaluate the quantity of GHG non-emitted in the atmosphere due to CABCP through the concept of baseline.
6. Foreseen results of the project until 2009 in terms of tons of CO₂e.

Even though discussions on baseline issues are surrounded by complexities, Guarani intended to pass the idea to the audience not only in a qualitative level, but also in a quantitative one, showing the company is following strict international trends. To end the speaking part, a discussion was held between the company representatives and the audience, with questions being answered.

- Visit to CABCP installations: To complete the presentation, a visit around the firm permitted the stakeholders to see the first new installations implemented in Açúcar Guarani in 2003. Questions related to Açúcar Guarani's activities could be raised.

Previously to this meeting, Guarani took to the public the initiative of expanding its cogeneration facilities in order to supply electricity to the grid. The company published similar announcements in two newspapers: one regional and the official newspaper of the state of São Paulo, both published on the 24th of August, 2002. In the announcement, Guarani declared it had registered the Preliminary Environmental Report (RAP – *Relatório Ambiental Preliminar*) within CETESB in order to obtain the pertinent licenses for the improvement in its facilities, including the investments for CABCP. The announcement let open manifestations from any interested party regarding the initiative, within a month after the publication. No reply was gotten.

G.2. Summary of the comments received:

During the meeting, three interventions were made.

The first one was a question raised by *Prefeitura Municipal de Olímpia*, the city council. It dealt with the problem of cane's burning before harvest, which is an important source of CO₂. Isn't then a contradiction to present CABCP as an environmentally friendly project? After all, burning bagasse is the same thing as burning the dry leaves of cane in the field.

Açúcar Guarani's answer: Açúcar Guarani proved through its actions in direction of the local community that it is a responsible enterprise. Consequently, Açúcar Guarani is already thinking how to stop as soon as possible burning cane. The objective is to try to fulfil the obligation of the state law regarding this point, before the giving deadline of 30 years. Moreover, as it was explained during this reunion, bagasse is a renewable combustible, as well as any other biomass. The carbon cycle of sequestration is short in comparison to a forest; consequently what is emitted in the atmosphere today will be, in a way, recaptured by the plant tomorrow.

The 2nd intervention was due to the *Câmara dos Vereadores de Olímpia* and referred to the future price of electricity for the community. What will be its evolution?

Açúcar Guarani's answer: Although the installed capacity gives Açúcar Guarani the possibility to produce the same quantity of electricity as the one consumed by a city of 60,000 habitants during a year, this electricity is currently sold to CPFL. The price of kWh is negotiated between Açúcar Guarani and CPFL.



With the growing of sugar industries producing electricity and with the future possibilities of choosing the origin of your electricity, the price of kWh may be lower. But this is not an Açúcar Guarani's self decision.

The 3rd intervention came from *Polícia Ambiental* (Environmental Police). After thanking Açúcar Guarani for this presentation, *Polícia Ambiental* underlined the fact that the occurrence of such meeting in regional firms is not usual. There are few opportunities given to the local stakeholders to know what is going on under a technical and environmental point of view. For that reason, this meeting is already welcoming. But, most of all, few opportunities are given to the local stakeholders to meet themselves and to discuss upon those kinds of subjects.

The *Polícia Ambiental* would like to underline that throughout reunions like this the enormous potential of pollution driven by firms could maybe be reduced and essentially better known.

G.3. Report on how due account was taken of any comments received:

As shown in item G.2 above, the interventions from the stakeholders were promptly answered and explanations were provided in a clear way. None of them showed opposition to the project or suggested modifications; on the contrary, as stated in the last intervention by *Polícia Ambiental*, the meeting was praised as an unique and very welcome opportunity to give stakeholders a voice in the project and to end their doubts.

Realisation of open reunions is actually in the “state of the art” in all democratic countries. Besides dealing with the obligations of each one of the stakeholders, the main difficulty is to present, with the same understandable language, the technical points of the project to a large panel of persons (schools, trade unions). To achieve completely this goal, Açúcar Gaurani intends to renew this action with another type of audience.

Moreover, to open the discussion with a larger audience, the presentations will be kept in a free access on Guarani's Internet site.

Annex 1**CONTACT INFORMATION ON PARTICIPANTS IN THE PROJECT ACTIVITY****1.1 Project Developer Responsible for the CDM Project Activity**

Organization:	Econergy Brasil Ltda.
Street/P.O.Box:	Rua Pará, 76 cj 41
Building:	Higienópolis Office Center
City:	São Paulo
State/Region:	SP
Postfix/ZIP:	01243-020
Country:	Brazil
Telephone:	+ 55 (11) 3219-0068
FAX:	+55 (11) 3219-0693
E-Mail:	-
URL:	http://www.econergy.com.br
Represented by:	
Title:	Mr.
Salutation:	
Last Name:	Diniz Junqueira
Middle Name:	Schunn
First Name:	Marcelo
Department:	-
Mobile:	+55 (11) 8263-3017
Direct FAX:	Same above
Direct tel:	+ 55 (11) 3219-0068 ext 25 and/or mobile
Personal E-Mail:	junqueira@econergy.com.br

1.2 Project Activity Host Company

Organization:	Açúcar Guarani S.A.
Street/P.O.Box:	Rodovia Assis Chateaubriand, km 155
Building:	
City:	Olímpia
State/Region:	SP
Postfix/ZIP:	15400-000
Country:	Brazil
Telephone:	+55 (17) 280 1000
FAX:	+55 (17) 280 1039
E-Mail:	
URL:	http://www.acucarguarani.com.br
Represented by:	
Title:	Mr.
Salutation:	



Last Name:	Stuchi
Middle Name:	
First Name:	Antonio
Department:	Administration
Mobile:	
Direct FAX:	+55 (17) 280 1039
Direct tel:	+55 (17) 280 1000
Personal E-Mail:	astuchi@aguarani.com.br

Annex 2

INFORMATION REGARDING PUBLIC FUNDING

There is no public funding in this project.

Annex 3

BASELINE INFORMATION

The Brazilian electricity system has been historically divided into two subsystems: the North-Northeast (N-NE) and the South-Southeast-Midwest (S-SE-CO). This is due mainly to the historical evolution of the physical system, which was naturally developed nearby the biggest consuming centers of the country.

The natural evolution of both systems is increasingly showing that integration is to happen in the future. In 1998, the Brazilian government was announcing the first leg of the interconnection line between S-SE-CO and N-NE. With investments of around US\$700 million, the connection had the main purpose, in the government's view, at least, to help solve energy imbalances in the country: the S-SE-CO region could supply the N-NE in case it was necessary and vice-versa.

Nevertheless, even after the interconnection had been established, technical papers still divided the Brazilian system in two (Bosi, 2000)¹³:

“... where the Brazilian Electricity System is divided into three separate subsystems:

- (i) The South/Southeast/Midwest Interconnected System;
- (ii) The North/Northeast Interconnected System; and
- (iii) The Isolated Systems (which represent 300 locations that are electrically isolated from the interconnected systems)”

Moreover, Bosi (2000) gives a strong argumentation in favor of having so-called *multi-project baselines*:

“For large countries with different circumstances within their borders and different power grids based in these different regions, multi-project baselines in the electricity sector may need to be disaggregated

¹³ Bosi, M. *An Initial View on Methodologies for Emission Baselines: Electricity Generation Case Study*. International Energy Agency. Paris, 2000.



below the country-level in order to provide a credible representation of ‘what would have happened otherwise’”.

Finally, one has to take into account that even though the systems today are connected, the energy flow between N-NE and S-SE-CO is heavily limited by the transmission lines capacity. Therefore, only a fraction of the total energy generated in both subsystems is sent one way or another. It is natural that this fraction may change its direction and magnitude (up to the transmission line’s capacity) depending on the hydrological patterns, climate and other uncontrolled factors. But it is not supposed to represent a significant amount of each subsystem’s electricity demand. It has also to be considered that only in 2004 the interconnection between SE and NE was concluded, i.e., if project proponents are to be coherent with the generation database they have available as of the time of the PDD submission for validation, a situation where the electricity flow between the subsystems was even more restricted is to be considered. The Brazilian electricity system nowadays comprises of around 91,3 GW of installed capacity, in a total of 1,420 electricity generation enterprises. From those, nearly 70% are hydropower plants, around 10% are natural gas-fired power plants, 5.3% are diesel and fuel oil plants, 3.1% are biomass sources (sugarcane bagasse, black liquor, wood, rice straw and biogas), 2% are nuclear plants, 1.4% are coal plants, and there are also 8,1 GW of installed capacity in neighboring countries (Argentina, Uruguay, Venezuela and Paraguay) that may dispatch electricity to the Brazilian grid. (<http://www.aneel.gov.br/aplicacoes/capacidadebrasil/OperacaoCapacidadeBrasil.asp>). This latter capacity is in fact comprised by mainly 6,3 GW of the Paraguayan part of *Itaipu Binacional*, a hydropower plant operated by both Brazil and Paraguay, but whose energy almost entirely is sent to the Brazilian grid.

Approved methodologies AM0015 and ACM0002 ask project proponents to account for “all generating sources serving the system”. In that way, when applying one of these methodologies, project proponents in Brazil should search for, and research, all power plants serving the Brazilian system.

In fact, information on such generating sources is not publicly available in Brazil. The national dispatch center, ONS – *Operador Nacional do Sistema* – argues that dispatching information is strategic to the power agents and therefore cannot be made available. On the other hand, ANEEL, the electricity agency, provides information on power capacity and other legal matters on the electricity sector, but no dispatch information can be got through this entity.

In that regard, project proponents looked for a plausible solution in order to be able to calculate the emission factor in Brazil in the most accurate way. Since real dispatch data is necessary after all, the ONS was contacted, in order to let participants know until which degree of detail information could be provided. After several months of talks, plants’ daily dispatch information was made available for years 2001, 2002 and 2003.

Project proponents, discussing the feasibility of using such data, concluded it was the most proper information to be considered when determining the emission factor for the Brazilian grid. According to ANEEL, in fact, ONS centralized dispatched plants accounted for 75,547 MW of installed capacity by 31/12/2004, out of the total 98,848.5 MW installed in Brazil by the same date (http://www.aneel.gov.br/arquivos/PDF/Resumo_Gr%C3%A1ficos_mai_2005.pdf), which includes capacity available in neighboring countries to export to Brazil and emergency plants, that are dispatched only during times of electricity constraints in the system. Such capacity in fact is constituted by plants with 30 MW installed capacity or above, connected to the system through 138kV power lines, or at higher voltages. Therefore, even though the emission factor calculation is carried out without considering all generating sources serving the system, about 76.4% of the installed capacity serving Brazil is taken into



account, which is a fair amount if one looks at the difficulty in getting dispatch information in Brazil. Moreover, the remaining 23.6% are plants that do not have their dispatch coordinated by ONS, since: either they operate based on power purchase agreements which are not under control of the dispatch authority; or they are located in non-interconnected systems to which ONS has no access. In that way, this portion is not likely to be affected by the CDM projects, and this is another reason for not taking them into account when determining the emission factor.

In an attempt to include all generating sources, project developers considered the option to research for available, but non-official data, to supply the existing gap. The solution found was the International Energy Agency database built when carrying out the study “Road-Testing Baselines For Greenhouse Gas Mitigation Projects in the Electric Power Sector”, published in October 2002. Merging ONS data with the IEA data in a spreadsheet, project proponents have been able to consider all generating sources connected to the relevant grids in order to determine the emission factor. The emission factor calculated was found more conservative when considering ONS data only, as the table below shows the build margin in both cases.

IEA/ONS Merged Data Build Margin (tCO ₂ /MWh)	ONS Data Build Margin (tCO ₂ /MWh)
0,205	0,0937

Therefore, considering all the rationale explained, project developers decided for the database considering ONS information only, as it was capable of properly addressing the issue of determining the emission factor and doing it in the most conservative way.

The fossil fueled plants efficiencies were also taken from the IEA paper. This was done considering the lack of more detailed information on such efficiencies from public, reliable and credible sources.

From the mentioned reference:

The fossil fuel conversion efficiency (%) for the thermal power plants was calculated based on the installed capacity of each plant and the electricity actually produced. For most of the fossil fuel power plants under construction, a constant value of 30% was used as an estimate for their fossil fuel conversion efficiencies. This assumption was based on data available in the literature and based on the observation of the actual situation of those kinds of plants currently in operation in Brazil. The only 2 natural gas plants in combined cycle (totaling 648 MW) were assumed to have a higher efficiency rate, i.e. 45%.

Therefore only data for plants under construction in 2002 (with operation start in 2002 and 2003) was estimated. All others efficiencies were calculated. To the best of our knowledge there was no retrofit/modernization of the older fossil-fuelled power plants in the analyzed period (2001 to 2003). For that reason project participants find the application of such numbers to be not only reasonable but the best available option.

The aggregated hourly dispatch data got from ONS was used to determine the lambda factor for each of the years with data available (2001, 2002 and 2003). The Low-cost/Must-run generation was determined as the total generation minus fossil-fuelled thermal plants generation, this one determined through daily dispatch data provided by ONS. All this information has been provided to the validators, and extensively discussed with them, in order to make all points crystal clear.



On the following pages, a summary of the analysis is provided. First, the table with the 122 plants dispatched by the ONS are provided. Then, a table with the summarized conclusions of the analysis, with the emission factor calculation displayed. Finally, the load duration curves for the S-SE-MW system are presented.

ONS Dispatched Plants



	Subsystem*	Fuel source**	Power plant	Operation start [2, 4, 5]	Installed capacity (MW) [1]	Fossil fuel conversion efficiency (%) [2]	Carbon emission factor (tCO ₂ /t) [3]	Fraction carbon oxidized [3]	Emission factor (tCO ₂ /MWh)
1	S-SECO	H	Jacui	Sep-2003	121.5	1	0.0	0.0%	0.000
2	S-SECO	H	Glaucione	Sep-2003	120.0	1	0.0	0.0%	0.000
3	S-SECO	G	Três Lagoas	Aug-2003	306.0	0.3	15.3	99.5%	0.670
4	S-SECO	H	Furnil (MG)	Jan-2003	180.0	1	0.0	0.0%	0.000
5	S-SECO	H	Roucas I	Sep-2002	156.1	1	0.0	0.0%	0.000
6	S-SECO	G	Araucária	Sep-2002	484.5	0.3	15.3	99.5%	0.670
7	S-SECO	G	Canoas	Sep-2002	160.6	0.3	15.3	99.5%	0.670
8	S-SECO	H	Piraju	Sep-2002	81.0	1	0.0	0.0%	0.000
9	S-SECO	G	Novo Piratininga	Jun-2002	384.9	0.3	15.3	99.5%	0.670
10	S-SECO	O	PCT CGTEE	Jun-2002	5.0	0.3	20.7	99.0%	0.902
11	S-SECO	H	Rosal	Jun-2002	55.0	1	0.0	0.0%	0.000
12	S-SECO	G	Barão	May-2002	226.0	0.3	15.3	99.5%	0.670
13	S-SECO	H	Caná Brava	May-2002	465.9	1	0.0	0.0%	0.000
14	S-SECO	H	Sta. Clara	Jan-2002	60.0	1	0.0	0.0%	0.000
15	S-SECO	H	Machadinho	Jan-2002	1,140.0	1	0.0	0.0%	0.000
16	S-SECO	G	Juiz de Fora	Nov-2001	87.0	0.28	15.3	99.5%	0.718
17	S-SECO	G	Macacé Merchant	Nov-2001	922.6	0.24	15.3	99.5%	0.837
18	S-SECO	H	Lajeado (ANEL res. 402/2001)	Nov-2001	902.5	1	0.0	0.0%	0.000
19	S-SECO	G	Eletronel	Oct-2001	379.0	0.24	15.3	99.5%	0.837
20	S-SECO	H	Porto Estrela	Sep-2001	112.0	1	0.0	0.0%	0.000
21	S-SECO	G	Culataba (Mario Covas)	Aug-2001	529.2	0.3	15.3	99.5%	0.670
22	S-SECO	G	W. Arjona	Jan-2001	194.0	0.25	15.3	99.5%	0.804
23	S-SECO	G	Uniquiliana	Jan-2000	639.9	0.45	15.3	99.5%	0.447
24	S-SECO	H	S. Carlos	Jan-1999	1,240.0	1	0.0	0.0%	0.000
25	S-SECO	H	Canoas I	Jan-1999	82.5	1	0.0	0.0%	0.000
26	S-SECO	H	Canoas II	Jan-1999	72.0	1	0.0	0.0%	0.000
27	S-SECO	H	Igarapava	Jan-1999	210.0	1	0.0	0.0%	0.000
28	S-SECO	H	Porto Primavera	Jan-1999	1,540.0	1	0.0	0.0%	0.000
29	S-SECO	D	Culataba (Mario Covas)	Oct-1998	529.2	0.27	20.2	99.0%	0.978
30	S-SECO	H	Sobradinho	Sep-1998	60.0	1	0.0	0.0%	0.000
31	S-SECO	H	POCH EMAE	Jan-1998	25.0	1	0.0	0.0%	0.000
32	S-SECO	H	POCH EEE	Jan-1998	25.0	1	0.0	0.0%	0.000
33	S-SECO	H	POCH ENRSUL	Jan-1998	43.0	1	0.0	0.0%	0.000
34	S-SECO	H	POCH CEB	Jan-1998	15.0	1	0.0	0.0%	0.000
35	S-SECO	H	POCH ESCLSA	Jan-1998	82.0	1	0.0	0.0%	0.000
36	S-SECO	H	POCH CELESC	Jan-1998	50.0	1	0.0	0.0%	0.000
37	S-SECO	H	POCH CELMAT	Jan-1998	145.0	1	0.0	0.0%	0.000
38	S-SECO	H	POCH CELG	Jan-1998	15.0	1	0.0	0.0%	0.000
39	S-SECO	H	POCH CERJ	Jan-1998	59.0	1	0.0	0.0%	0.000
40	S-SECO	H	POCH CORPEL	Jan-1998	70.0	1	0.0	0.0%	0.000
41	S-SECO	H	POCH CELMG	Jan-1998	84.0	1	0.0	0.0%	0.000
42	S-SECO	H	POCH CPFL	Jan-1998	55.0	1	0.0	0.0%	0.000
43	S-SECO	H	S. Mesa	Jan-1998	1,275.0	1	0.0	0.0%	0.000
44	S-SECO	H	POCH EPAMAL	Jan-1998	25.0	1	0.0	0.0%	0.000
45	S-SECO	H	Gulimam Amorim	Jan-1997	140.0	1	0.0	0.0%	0.000
46	S-SECO	H	Courumbá	Jan-1997	375.0	1	0.0	0.0%	0.000
47	S-SECO	H	Mirante	Jan-1997	408.0	1	0.0	0.0%	0.000
48	S-SECO	H	Novo Porte	Jan-1994	510.0	1	0.0	0.0%	0.000
49	S-SECO	H	Sagrado (Gov. Ney Braga)	Jan-1992	1,260.0	1	0.0	0.0%	0.000
50	S-SECO	H	Taguaçu	Jan-1989	554.0	1	0.0	0.0%	0.000
51	S-SECO	H	Mirante	Jan-1988	210.0	1	0.0	0.0%	0.000
52	S-SECO	H	D. Francisca	Jan-1987	125.0	1	0.0	0.0%	0.000
53	S-SECO	H	Itá	Jan-1987	1,450.0	1	0.0	0.0%	0.000
54	S-SECO	H	Nouana	Jan-1987	399.2	1	0.0	0.0%	0.000
55	S-SECO	N	Angat	Jan-1985	1,674.0	1	0.0	0.0%	0.000
56	S-SECO	H	T. Imboas	Jan-1985	807.5	1	0.0	0.0%	0.000
57	S-SECO	H	Itaipu 60 Hz	Jan-1983	6,300.0	1	0.0	0.0%	0.000
58	S-SECO	H	Itaipu 50 Hz	Jan-1983	5,375.0	1	0.0	0.0%	0.000
59	S-SECO	H	Emborcação	Jan-1982	1,192.0	1	0.0	0.0%	0.000
60	S-SECO	H	Novo Avenhandava	Jan-1982	347.4	1	0.0	0.0%	0.000
61	S-SECO	H	Gov. Bento Munhoz - GBM	Jan-1980	1,676.0	1	0.0	0.0%	0.000
62	S-SECO	H	S. Santiago	Jan-1980	1,620.0	1	0.0	0.0%	0.000
63	S-SECO	H	Itumbiara	Jan-1980	2,280.0	1	0.0	0.0%	0.000
64	S-SECO	O	Igarapé	Jan-1978	131.0	0.3	20.7	99.0%	0.902
65	S-SECO	H	Itauba	Jan-1978	512.4	1	0.0	0.0%	0.000
66	S-SECO	H	A. Vermelha (Jose E. Moraes)	Jan-1978	1,396.2	1	0.0	0.0%	0.000
67	S-SECO	H	S. Simão	Jan-1978	1,710.0	1	0.0	0.0%	0.000
68	S-SECO	H	Capitão	Jan-1977	640.0	1	0.0	0.0%	0.000
69	S-SECO	H	S. Odebre	Jan-1975	1,078.0	1	0.0	0.0%	0.000
70	S-SECO	H	Marimbondo	Jan-1975	1,440.0	1	0.0	0.0%	0.000
71	S-SECO	H	Promissão	Jan-1975	254.0	1	0.0	0.0%	0.000
72	S-SECO	C	Pres. Médici	Jan-1974	446.0	0.26	26.0	98.0%	1.294
73	S-SECO	H	Volta Grande	Jan-1974	390.0	1	0.0	0.0%	0.000
74	S-SECO	H	Porto Colombia	Jan-1973	320.0	1	0.0	0.0%	0.000
75	S-SECO	H	Passo Fundo	Jan-1973	220.0	1	0.0	0.0%	0.000
76	S-SECO	H	Passo Real	Jan-1973	158.0	1	0.0	0.0%	0.000
77	S-SECO	H	Ilha Solteira	Jan-1973	3,444.0	1	0.0	0.0%	0.000
78	S-SECO	H	Mascarenhas	Jan-1973	131.0	1	0.0	0.0%	0.000
79	S-SECO	H	Gov. Parigot de Souza - GPS	Jan-1971	252.0	1	0.0	0.0%	0.000
80	S-SECO	H	Chavantes	Jan-1971	414.0	1	0.0	0.0%	0.000
81	S-SECO	H	Jaguara	Jan-1971	424.0	1	0.0	0.0%	0.000
82	S-SECO	H	Sã Cavallho	Apr-1970	78.0	1	0.0	0.0%	0.000
83	S-SECO	H	Estrelita (Luz Carlos Barreto)	Jan-1969	1,050.0	1	0.0	0.0%	0.000
84	S-SECO	H	Itirapina	Jan-1969	131.5	1	0.0	0.0%	0.000
85	S-SECO	H	Jupia	Jan-1969	1,551.2	1	0.0	0.0%	0.000
86	S-SECO	O	Alagoinha	Jan-1968	66.0	0.26	20.7	99.0%	1.040
87	S-SECO	G	Campos (Roberto Silveira)	Jan-1968	30.0	0.24	15.3	99.5%	0.837
88	S-SECO	G	Santa Cruz (RJ)	Jan-1968	766.0	0.31	15.3	99.5%	0.648
89	S-SECO	H	Parabuna	Jan-1968	85.0	1	0.0	0.0%	0.000
90	S-SECO	H	Limoeiro (Armando Sales de Oliveira)	Jan-1967	32.0	1	0.0	0.0%	0.000
91	S-SECO	H	Caconde	Jan-1966	80.4	1	0.0	0.0%	0.000
92	S-SECO	C	J. Lacerda A	Jan-1965	363.0	0.25	26.0	98.0%	1.345
93	S-SECO	C	J. Lacerda B	Jan-1965	262.0	0.21	26.0	98.0%	1.602
94	S-SECO	C	J. Lacerda A	Jan-1965	232.0	0.18	26.0	98.0%	1.869
95	S-SECO	H	Barão (Alvaro de Souza Lima)	Jan-1965	143.1	1	0.0	0.0%	0.000
96	S-SECO	H	Furnil (RJ)	Jan-1965	216.0	1	0.0	0.0%	0.000
97	S-SECO	C	Piquetia	Jan-1963	20.0	0.3	26.0	98.0%	1.121
98	S-SECO	H	Furnil	Jan-1963	1,216.0	1	0.0	0.0%	0.000
99	S-SECO	H	Barragem Bonita	Jan-1963	140.8	1	0.0	0.0%	0.000
100	S-SECO	C	Chaquequadas	Jan-1962	72.0	0.23	26.0	98.0%	1.482
101	S-SECO	H	Amatitlán (Armando A. Laydner)	Jan-1962	87.7	1	0.0	0.0%	0.000
102	S-SECO	H	Jacui	Jan-1962	180.0	1	0.0	0.0%	0.000
103	S-SECO	H	Pereira Passos	Jan-1962	99.1	1	0.0	0.0%	0.000
104	S-SECO	H	Três Marias	Jan-1962	396.0	1	0.0	0.0%	0.000
105	S-SECO	H	Euclydes da Cunha	Jan-1960	108.6	1	0.0	0.0%	0.000
106	S-SECO	H	Camargos	Jan-1960	46.0	1	0.0	0.0%	0.000
107	S-SECO	H	Santa Branca	Jan-1960	56.1	1	0.0	0.0%	0.000
108	S-SECO	H	Cachoeira Dourada	Jan-1959	658.0	1	0.0	0.0%	0.000
109	S-SECO	H	Salto Grande (Lucas N. Garcez)	Jan-1958	70.0	1	0.0	0.0%	0.000
110	S-SECO	H	Salto Grande (MG)	Jan-1956	102.0	1	0.0	0.0%	0.000
111	S-SECO	H	Mascarenhas de Moraes (Peixoto)	Jan-1956	478.0	1	0.0	0.0%	0.000
112	S-SECO	H	Rutinga	Jan-1955	52.0	1	0.0	0.0%	0.000
113	S-SECO	C	S. Jerônimo	Jan-1954	20.0	0.26	26.0	98.0%	1.294
114	S-SECO	O	Caribá	Jan-1954	36.2	0.3	20.7	99.0%	0.902
115	S-SECO	O	Piratininga	Jan-1954	472.0	0.3	20.7	99.0%	0.902
116	S-SECO	H	Cinelestra	Jan-1953	42.5	1	0.0	0.0%	0.000
117	S-SECO	H	Nilo Peçanha	Jan-1953	378.4	1	0.0	0.0%	0.000
118	S-SECO	H	Fontes Novas	Jan-1940	130.3	1	0.0	0.0%	0.000
119	S-SECO	H	Henry Borden Sub.	Jan-1926	450.0	1	0.0	0.0%	0.000
120	S-SECO	H	Henry Borden Ext.	Jan-1926	469.0	1	0.0	0.0%	0.000
121	S-SECO	H	I. Pombos	Jan-1924	189.7	1	0.0	0.0%	0.000
122	S-SECO	H	Jacui	Jan-1917	11.8	1	0.0	0.0%	0.000
					Total (MW) =	64,478.6			
* Subsystem S - south; SECO - Southeast-Midwest									
** Fuel source (C, bituminous coal; D, diesel oil; G, natural gas; H, hydro; N, nuclear; O, residual fuel oil)									
[1] Agência Nacional de Energia Elétrica, Banco de Informações de Geração (http://www.anel.gov.br/, data collected in november 2004)									
[2] Box, M. A. Laurence, P. Macdonald, R. Schaeffer, A. F. Simoes, H. Weller and J.M. Lombard. Road testing baselines for GHG mitigation projects in the electric power sector. OECD/IEA information paper, October 2002.									
[3] Intergovernmental Panel on Climate Change, Revised 1996 Guidelines for National Greenhouse Gas Inventories									
[4] Operador Nacional do Sistema Elétrico, Centro Nacional de Operação do Sistema, Acompanhamento Diário da Operação do SIN (daily reports from Jan. 1, 2001 to Dec. 31, 2003).									
[5] Agência Nacional de Energia Elétrica, Superintendência de Fiscalização dos Serviços de Geração, Resumo Geral dos Novos Empreendimentos de Geração (http://www.anel.gov.br/, data collected in november 2004).									

Summary table



Baseline (including imports)		Emission factors for the Brazilian South-Southeast-Midwest interconnected grid			
		EF_{OM} [tCO ₂ /MWh]	Load [MWh]	LCMR [MWh]	Imports [MWh]
2001		0,7350	263.706.242	244.665.786	5.493.162
2002		0,8504	275.402.896	258.720.232	1.607.395
2003		0,9378	288.493.929	274.649.425	459.586
Total (2001-2003) =			827.603.067	778.035.443	7.560.143
		$EF_{OM, simple-adjusted}$ [tCO ₂ /MWh]	$EF_{BM,2003}$	from ONS-Lambda SSECO 2001-2003.xls	
		0,4043	0,0937	λ_{2001}	
		Default weights		0,5204	
		$w_{OM} = 0,5$		λ_{2002}	
		$w_{BM} = 0,5$		0,5053	
		EF [tCO ₂ /MWh]		λ_{2003}	
		0,2490		0,5312	

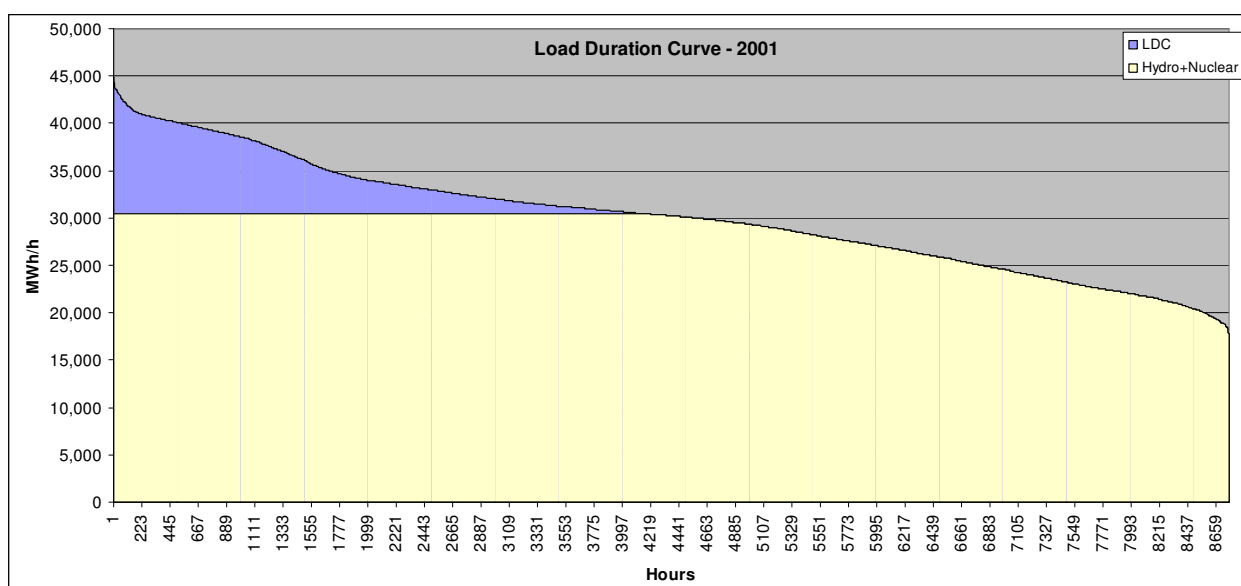


Figure 6. Load duration curve for the S-SE-MW system, 2001

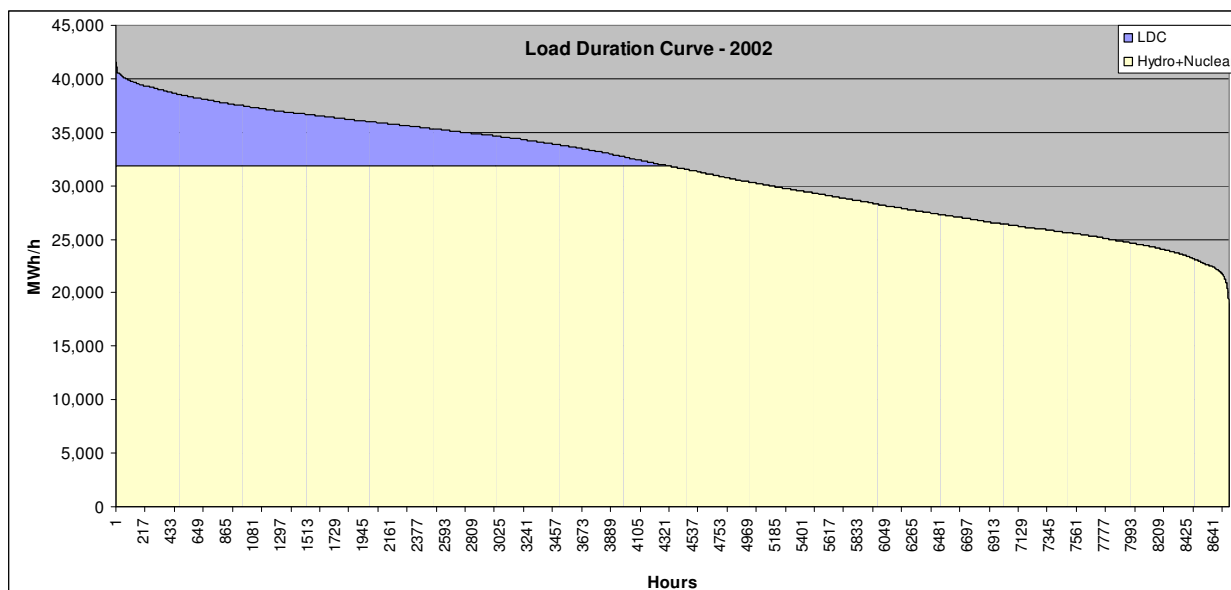


Figure 7. Load duration curve for the S-SE-MW system, 2002

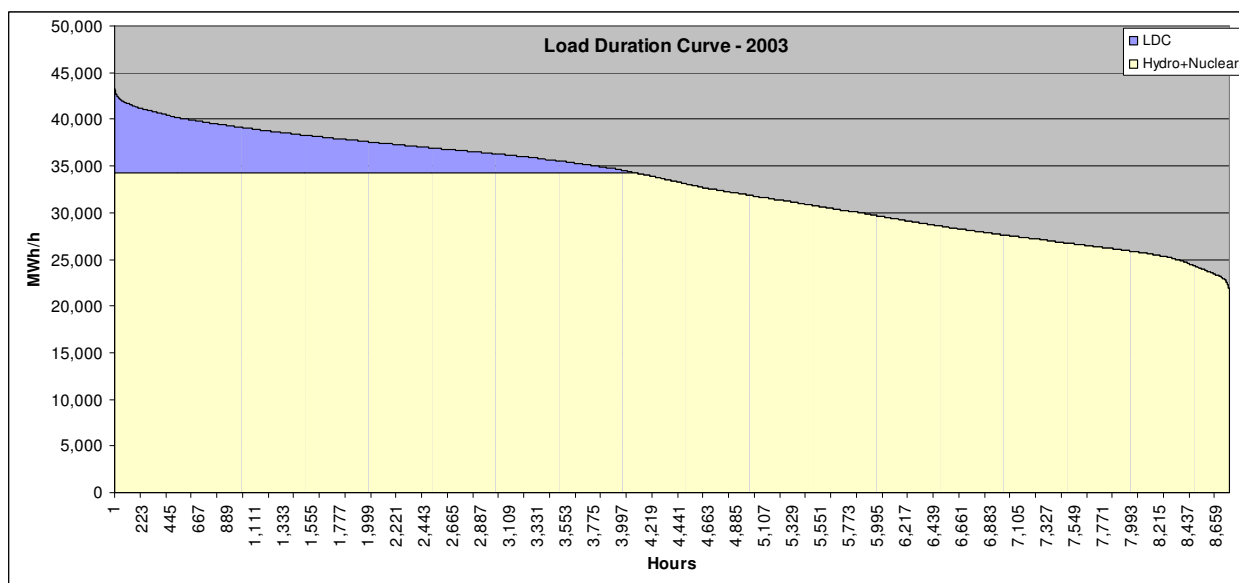


Figure 8. Load duration curve for the S-SE-MW system, 2003

**Annex 4****MONITORING PLAN**

According to the section D of this document, the only variable that will be monitored in this project activity is the quantity of energy exported to the grid, from year 2003 up to the end of the last crediting period. Since no leakage nor any off-grid emissions change were identified in this project activity, there will be no need to monitor the variables for these cases. The monitoring will occur as follows:

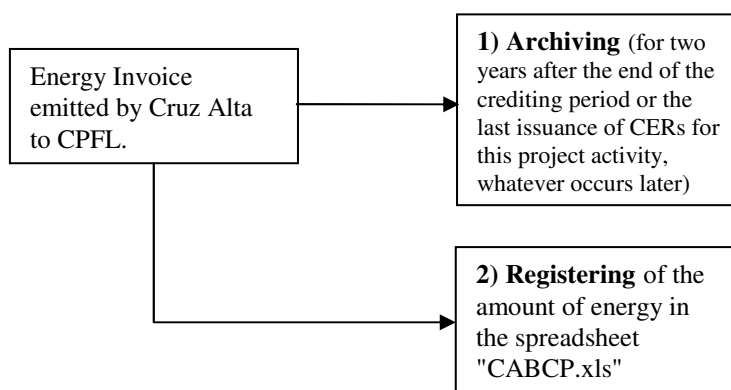


Figure 9: Monitoring procedures for Cruz Alta

The quantity of energy exported to the grid will be monitored through the energy invoice emitted by Cruz Alta to CPFL, the energy distributor. The archiving will occur up to two years after the end of the crediting period or the last issuance of CERs for this project activity, whatever occurs later. The amount of energy will be registered in the spreadsheet "CABCP.xls", which shall be the instrument for the further Verification.