CDM Project Activity Registration and Validation Report Form

(By submitting this form, designated operational entity confirms that the proposed CDM project activity meets all validation and registration requirements and thereby requests its registration)

Section 1: Request for registration	
Name of the designated operational entity (DOE) submitting this form	Det Norske Veritas Certification Ltd. (DNV)
Title of the proposed CDM project activity (Section A.2 of the attached CDM-PDD) submitted for registration	"Incomex Hydroelectric Project"
Project participants (Name(s))	Incomex – Indústria, Comercio e Exportação Ltda., Grupo Cassol (Brazil) EcoSecurites Ltda.UK. (UK).
Sector in which project activity falls	Energy industries
Is the proposed project activity a small-scale activity?	Yes

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

- ☑ The CDM-PDD of the Project activity
- ☑ An explanation by the submitting designated operational entity of how it has taken due account of comments on validation requirements received, in accordance with the CDM modalities and procedures, from Parties, stakeholders and UNFCCC accredited non-governmental organizations (Note: Included in DNV's Validation Report (DNV report 2005-0989, rev 03));
- ❑ The written approval of voluntary participation from the designated national authority of each Party involved, including confirmation by the host Party hat the project activity assist it in achieving sustainable development:
  - (Attach a list of all Parties involved and attach the approval(in alphabetic order))
- ☑ Other documents, including any validation protocol used in the validation.
  - DNV's Validation Report (DNV report 2005-0989, rev 03), including a validation protocol and a list of person interviewed by DNV validation team during the validation process.
- ❑ Information on when and how the above validation report is made publicly available.
- ❑ Banking information on the payment of the non-reimbursable registration fee.
- ❑ A statement signed by all project participants stipulating the modalities of communicating with the Executive Border and the secretariat in particular with regard to instructions regarding allocation of CERs at issuance.

Executive Summary and Introduction, including

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

The Incomex Hydroelectric Project comprises three small run-of-river hydroelectric plants (1) in the Rio Branco river (Rio Branco small hydro in Rondônia State), (2) in the Saldanha river (Monte Belo small hydro in Rondônia State) and (3) in the Lambari river (Cabixi II small hydro in Mato Grosso State) with three, two and one new simple Francis turbines, respectively, in order to produce electricity. The generation of renewable electricity partly replaces electricity generation based on fossil fuels used in the isolated Rondônia -Acre grid and Cone Sul grid. The total installed capacity for the three energy units is 13.7 MW . The units Monte Belo and Rio Branco are run-of-river and the unit Cabixi II has 0,2 km of flooded area

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

The following documents were reviewed:

Incomex Hydroelectric Project PDD. Version 1 (August 2005);

Incomex Hydroelectric Project PDD. Version 5 (November 2005);

Incomex Hydroelectric Project PDD. Version 9 (08 June 2006);

Incomex Hydroelectric Project PDD. Version 10 (21 August 2006);

Datasheet to calculate the Combined Margin for Rondônia -Acre and Cone Sul Isolated Grids, Excel spreadsheets, 18 May 2006

Eletrobras-GETON Isolated Systems Operation Plan for 2005

CERON – Resumo de Geração das PCHs. da UNS/UNSG: 2002-2004

ANEEL “Small Hydroelectric Units Accompaniment” issued on 15/10/2005

International Emission Trading Association (IETA) & the World Bank’s Prototype Carbon Fund (PCF): Validation and Verification Manual. http://www.vvmanual.info

Appendix B of the simplified modalities and procedures for small-scale CDM project activities: Indicative simplified baseline and monitoring methodologies for selected small-scale CDM project activity categories: AMS-I.D –“Grid connected renewable electricity generation” for Type I – Renewable Energy Projects. Version 8 of 03 March 2006.

Attachment A to Appendix B of the "Simplified modalities and procedures for small-scale CDM project activities” - Indicative simplified baseline and monitoring methodologies for selected small-scale CDM project activities. Version 06 of September 2005

The following persons were interviewed:

Adriano Jackson Gomes – Technical Manager - Incomex
Pablo Fernandes – Ecosecurities
Flavia Resende - Ecosecurities

The validation team consisted of the following personnel:

Mr Luis Filipe Aboim Tavares	DNV Rio de Janeiro
Mr Vicente San Valero	DNV Rio de Janeiro
Mr Michael Lehmann	DNV Oslo

For further details, please refer to the "Introduction" and "References" Sections of DNV's Validation Report (DNV report 2005-0989, rev 03).

Description of methodology for carrying out validation

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

The validation consisted of the following three phases:
i) a desk review of the project design documents;
ii) follow-up interview with project stakeholders;
iii) the resolution of outstanding issues and the issuance of a validation report and opinion.

The PDD (version August 2005) submitted by Incomex – Indústria, Comercio e Exportação Ltda. and EcoSecurities on 10 August 2005 and a revised version of the PDD submitted in November 2005 were assessed by DNV. In order to comply with a Brazilian DNA request about new stakeholders comment invitation, a further version of PDD were issued on 08 June 2006 and assessed by DNV and finally a version of PDD issued on 21 August 2006 adjust the municipality of Monte Belo Unit and the starting of credit period was reviewed by DNV.

On 09 November 2005 DNV performed interviews with staff of Incomex and EcoSecurities to confirm and to resolve issues identified in the document review.

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

Findings established during the validation can either be seen as a non- fulfilment of validation criteria or where a risk to the fulfilment of project objectives is identified. Such findings are termed Corrective Action Requests (CAR). The term Clarification may be used where additional information is needed to fully clarify an issue. The Corrective Action Requests and requests for Clarification raised by the validation team were resolved through communications with the project participants. To guarantee the transparency of the validation process, the concerns raised by DNV and the response provided by the project participants are documented in Table 3 of the Validation Protocol in Appendix A of DNV's Validation Report (DNV report 2005-0989, rev 03).

For further details, please refer to the "Methodology" Section of DNV's Validation Report (DNV report 2005-0989, rev 03)and the IETA/PCF Validation ad Verification Manual (*www.vvmanual.info*)

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

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

DNV Certification published the initial PDD of August 2005 on the DNV Climate Change web site (*http://www.dnv.com/certification/ClimateChange)* and stakeholders were through the UNFCCC CDM web site invited to provide comments within a 30 days period from 13 August 2005 to 11 September 2005. No comments were received.

Conclusions, final comments and validation opinion

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

Det Norske Veritas Certification Ltd. (DNV) has performed a validation of the "Incomex Hydroelectric Project" in Brazil. The validation was performed on the basis of UNFCCC criteria for the Clean Development Mechanism and host country criteria, as well as criteria given to provide for consistent project operations, monitoring and reporting.

The project participants are Incomex – Indústria, Comércio e Exportação Ltda., Grupo Cassol and EcoSecurities Ltda.UK. The participating Parties - Brazil as host Party and UK as Annex I Party - meet all relevant participation requirements.

The three small hydro power plants with a total capacity of 13,7MW and with a small reservoir only at the Cabixi II plant it is not expected to have considerable environmental impacts. Environmental Impact Studies, as required by the Brazilian law, have been carried out and the project has received environmental licenses by SEDAM/RO for Monte Belo and Rio Branco plants and by FEMA for Cabixi II plant.

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

The project correctly applies the simplified baseline methodology for selected small-scale CDM project activity categories, category I.D – Renewable electricity generation for a grid (AMS-I.D). The additionality of the project is demonstrated by applying Attachment A to the Appendix B of the simplified modalities and procedures for CDM small-scale project activities. The presented barriers demonstrate that the project is not a likely baseline scenario.

A combined margin emission coefficient of 0,862 tCO2e/M for the Rondônia-Acre grid and 0,402 tCO2e/MW for the Cone Sul grid, were calculated in accordance with the simplified baseline methodology for category I.D small-scale CDM project activities, i.e. the average of the approximate operating margin and the build margin. The determination of this combined margin emission coefficient is based on actual electricity generation data provided by CERON for the Cone Sul grid, and Eletrobras Isolated Systems Operation Report for the Rondônia-Acre grid. The consumption of fuel considered the specific consumption of 300 lt./MW as established by Eletrobras/CCC.

By promoting renewable energy and displacing fossil fuel-based electricity, the project results in reductions of CO2 emissions that are real, measurable and give long-term benefits to the mitigation of climate change. Given that the project is operated as designed, the project is likely to achieve the estimated amount of emission reductions.

The monitoring plan sufficiently specifies the monitoring requirements.

In summary, it is DNV's opinion that the "Incomex Hydroelectric Project" as described in the revised and resubmitted project design document of 21 August 2006, meets all relevant UNFCCC requirements for the CDM and all relevant host country criteria and correctly applies the baseline and monitoring methodology for category I.D small-scale CDM project activities. Hence, DNV will request the registration of the "Incomex Hydroelectric Project" as CDM project activity..

For further details, please refer to the "Validation Findings" Section and Table 1 of the Validation Protocol in Appendix A of DNV's Validation Report (DNV report 2005-0989, rev 03).

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

with the role of a DOE under the CDM.			
By submitting this validation report, the DOE confirms that all validation requirements are met.	Prior to the submission of this validation report to the CDM Executive Board, DNV will have to receive the written approval of the DNA of Brazil and the UK, including confirmation by the DNA of Brazil that the project assists in achieving sustainable development.		
Name of authorized officer signing for the DOE	Michael Lehmann		
Date and signature for the DOE	02 January 2006		
Section below to be filled by UNFCCC secretariat			
Date when the form is received at UNFCCC secretariat			
Date at which the registration fee has been received			
Date at which registration shall be deemed final			
Date of request for review, if applicable			
Date and number of registration		Date	Number