

Primarily PPs would like to express the shock and dismay we endured, after viewing the two “issues” raised as reasons for requesting review, which we believe should not have deserved a merit to delay registration of our project, after we have addressed all issues raised as reasons for previous rejection of # 7632 and undergone additional scrutiny and came out with no issue from the Information and Reporting Check (IRC) stage of this second request (#10258) already conducted by Secretariat. Secondly, for the record, IRC deadline was on April 28<sup>th</sup> and was only posted “Requesting Registration” seven days after, on May 5<sup>th</sup>. The Deadline set reads June 1<sup>st</sup>. We then didn’t hear any objection until 18hrs after the deadline for requesting review elapsed and then we received email on June 02, 2016, 1 PM; which we learned is unheard of. Together with the email, we have also received a PDF generic CDM-RR-FORM with two exactly identical issues tailed to it and assigned on behalf of all “three EB members” requesting review; and states was received by Secretariat on June 1, 2016 (the deadline).

Still, since we have to duly respond to whatever issues raised as reasons for review, we did so as below;

- 1) The DOE is requested to further explain how it was validated that the determination of the baseline benchmark values of share of clinker for the cement types PLC and PC was done in accordance to the applied methodology, (Step 2.1.), considering that the two mentioned types of blended cement have never been produced or used in the host country and the applied methodology only provides for the use of existing statistical data of mass fraction of clinker for each relevant cement type. In doing so, the DOE shall also explain why a request for deviation of the methodology was not submitted prior to the submission of a request for registration or publication of the PDD for global stakeholder consultation, in accordance with Para 49 and 50 of the PCP, Version 9, in order to address this issue.

#### PP response

First of all we wish to make a humble but important comment that there is no word or statement in the methodology that reads “**only** provides for the use of existing statistical data of mass fraction of clinker for each relevant cement type”. Using such words may give incorrect picture and bias the EB and reviewers at early stage.

Kindly please note that it doesn’t read “only existing types of cement” can use the methodology. In fact the quoted phrase itself refers to “relevant cement types” which as per the definition of the methodology (Page 2/36) the “Relevant cement type is the type of blended cement produced under the CDM project activity”. Project activity (#10258) intends to produce three types composed of that type existing in market and those that doesn’t. Moreover; Page 20/36 of methodology reads; “In case the project activity consists of production of more than one cement type, the emission reduction shall be calculated for each cement type produced”.

Moreover “existing statistical data” doesn’t only serve to show existing cement types, they also indirectly give information on those that don’t exist as well as the regulation/norm. Methodology doesn’t also state that the purpose of statistical data is limited to existing cement types.

PP further believes that this should not be an issue and no request for deviation is required for many reasons among which;

- a. Applicability conditions of the methodology, while having many other prescriptions on conditions where it cannot be used, it doesn’t restrict the methodology to any condition related to the issue raised. We invite checking the Applicability conditions one by one and there isn’t.
- b. Page 1/36 of methodology clearly derogates the importance of national cement standard (regulation) and as a foot note there clearly states; “In cases, where there is no national standard, revision to the methodology is deemed necessary.” It is therefore clear why cement standard/regulation would be required to the extent the methodology is not even applicable if there isn’t. National cement standard provides, among others, benchmark on regulatory clinker and additive share as well as additive types and is a valid source of baseline benchmark alternative.

- c. "Identification of the baseline scenario" (P4/36) of the Methodology doesn't restrict consideration of cement types that has never been produced before but rather in fact **mandatorily enforces** considering all scenarios and in fact states "Project Participants **shall** identify the most plausible baseline scenario among all realistic and credible alternatives. In doing so, project participants **shall consider all realistic and credible production scenarios** for the relevant cement type that are consistent with **current rules and regulations**, including the existing practice of cement production, the proposed project activity, and practices in other manufacturing plants in the region using similar input/raw materials." Kindly please note that the existing practice is one of the scenarios to be included, among others including the current regulation. Relevant cement types are again whatever being produced under PA. Hence; we considered existing practice where it exists and applied the "current regulation" as a realistic and credible alternative in those cement types for which "existing practice" is not there. This is not also new to CDM or mitigation design where we take existing regulatory levels/policies as part in defining baselines.
- d. We also believe that given CDM vetting can be exposed to a lot of individual subjectivity, philosophical arguments need to be complemented by registration practices and is hence natural to see what practice has pre-existed in our institutional memory of registered CDM –PDDs vetted by the same regulatory body, to see if understandings and demands are consistently being applied across the board to all applications equally. In this regard PP assures that the project is not even exceptional in applying this approach. We can see from recently registered project statistics that;
- Registered Project Ref 6811, which is also Greenfield, used a bench mark of 94% (which is the default for the relevant cement type) for the project activity cement type (PLC) which didn't exist in the Libyan market ever before. This was not an issue at any stage of the project registration or project was not required to request deviation and was registered.
  - Registered Project 8726, intending to produce relevant cement type at 75% (see on Page 2 of its PDD) which falls in type 60 <PF< 80 (Table B-2 Page 10 of the PDD), and yet which was not existing in the relevant Chinese region before, used a benchmark of **89%** even **out of and above** its regulatory default of **80%**. Kindly note that as per the Chinese cement standard available in the same PDD above, Table B-2, only PO cement can only be produced at 80<PO<95. This was not an issue at any stage of that project registration and was not required requesting deviation and was registered. Kindly note here that, as compared to this project, we more conservatively used the regulatory default requirement of each relevant cement type and not above it.
  - in table at end below, we have summarized how step 2.1 was addressed in #10258 in comparison with the above registered CDM projects (#6811 & #8726)
  - Finally, everything boils down to environmental integrity. Hence on top of narratives regarding the provision of the methodology and the precedents; additional key information regarding environmental integrity brings a very interesting revelation of the project's achievement. In <sup>1</sup>Europe cement is being produced at average around 0.78tCO<sub>2</sub>/ton-cement. The Global average carbon intensity is 0.83 tCO<sub>2</sub>/ton-cement. <sup>2</sup>Ethiopian average carbon intensity of cement is 0.78 tCO<sub>2e</sub>/ ton-cement. Even all of the registered/credited cement CDM projects produce cement at well above carbon intensity of 0.68 tCO<sub>2</sub>/ ton-cement. The specific project plant (#10258), after implementing the specific CDM-PA blending, will produce cement having carbon intensity lower than 0.55 tCO<sub>2e</sub>/ ton-cement (please see the PA spreadsheet) and yet only claims credit for the blending measure (and hence even net mitigation).

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<sup>1</sup>Energy Efficiency and CO<sub>2</sub> Emissions: Prospective scenarios for cement Industry (JRC/EC:2010) setis.ec.europa.eu

<sup>2</sup> Ethiopia's Climate Change Strategy (CRGE)

This is clearly unparalleled and “first of all kind” low carbon cement in the current world in the sector. This shows that we are even committed far more in watching and demonstrating environmental integrity by checking the carbon intensity of the whole plant (each output) than only from a conventional narrowly confined “CDM-PA” or “blending only” perspective. We believe this is a great achievement and should make everyone happy.

DOE reply:

The validation team has accepted the argument of PP that applied methodology does not state that only existing types of cement produced (or used) in the host country can apply the methodology. PP has already demonstrated in the PDD, the compliance of the project against the requirements of the applicable conditions where adequate data in the form of Ethiopian cements standard ES 1177-1:2005 which prescribes the regulatory limits for PLC and PC. Hence the validation team has interpreted that that non existing relevant cement types in the host country so far can also apply the methodology. Secondly the applied methodology did not specify regulatory limits cannot be considered as statistical data. So the validation team has accepted that the statistical data can also include regulatory limits. As per page 4 of the applied methodology, “*PP shall consider all realistic and credible production scenarios for the relevant cement type that are consistent with current rules and regulations, including the existing practice of cement production, the proposed project activity, and practices in other manufacturing plants in the region using similar input/raw materials*”. The validation team has also checked the precedence projects and found that projects numbered 6811 and 8726 used respective host country regulatory limits in demonstrating the baseline benchmarks through step 2.1 of the applied methodology when the corresponding cement types do not exist in the host countries. These projects were accepted as registered by the EB without requesting for deviation which implies that for similar cases, regulatory limits shall also be acceptable to the EB/DOE. Taking EB’s acceptance to the above two cases into consideration, the validation team has concluded that usage of regulatory limits in determining the baseline benchmark by the PP for the cement types PLC and PC is also correct

- 2) The DOE is requested to confirm the correctness of the input data used by the PP to determine the baselinebenchmark of share of clinker per tonne of BC for the cement type PPC. When comparing the current submitted data with the data provided at the first request for registration, inconsistent values were found applying to the “Annual historical production in 2008” of Mughar plant (662,278 tonnes in the current Request for Registration and 603,375 tonnes in the first Request for Registration).

### PP response

There is no difference in value between what the spreadsheet reads in the first registration and now for the “Annual historical production in 2008” PPC cement volume produced. Simply value 603,375ton was for 2007 and Value 662,278ton is for 2008. Please check both of the spreadsheets and both values are there in first request. So the value we see in the new spreadsheet is for 2008 only which is 662,278 tons. We did not need the 2007 data for PPC benchmarkin that sheet as it is not in one year before start date.

Since this “issue” has obtained a merit to become one of the two reasons for request for review though, in revised version, we have just included a 2007 value in new bluecolumnnext to the 2008 column for PPCin that sheet.

### Conclusion

Hence PPs earnestly believe that there is nothing new that we did that methodology doesn’t allow or that already registered projects didn’t apply, hence no need of deviation or revision of previously submitted documents (except inserting the 2007 PPC output value, which is still redundant) and we rather again request for registration of the project. Please also note that there is no change in PDD.

We are in fact clearly enduring unique kind of exposure to transaction costs, as opposed to EB's own effort of advocating and direction on streamlined registration, even though we are applying from CDM's severely underrepresented region.

DOE response:

The validation team has reviewed emission reduction sheet applicable to the current RFR and the first RFR and found that 603,375 was for the year 2007 and 662,278 was for the year 2008. As per step 2.1 of the applied methodology, data concerning average blending ratio, annual production and import of the relevant cement type(s) in the region shall be collected for one year prior to the start date of CDM project activity. Since the start date of the project activity is 14<sup>th</sup> August 2009, usage of 2008 value is correct and accepted.

A		Average (weighted by production) mass fraction of clinker (t clinker/t BC) for the 5 plants				
			PPC	PLC	PC	PF
a (i)	Identify the amount of the relevant cement type produced by each plant in the region (tons), 2008	#10258	Plant 1: 662,278 Plant 2: 112,275 Plant 3: 958,082	0 tons	0 tons	Not a relevant PA cement
		#6811	Not a relevant PA cement	0 tons	Not a relevant PA cement	Not a relevant PA cement
		# 8726	Not a relevant PA cement	Not a relevant PA cement	Not a relevant PA cement	0 tons
a (ii)	Determine the average (weighted by production) mass fraction of clinker(t clinker/t BC) for the 5 plants for each relevant cement	#10258	1 plant producing at 72.86%  1 plant producing at 75%  1 plant at 73.5%	No (0) plant producing it. Regulation is 65<PLC<94	No (0) plant producing it Regulation is 45<PC<89	Not a relevant PA cement
		#6811	Not a relevant PA cement	No (0) plant producing it Regulation is 65<PLC<94	Not a relevant PA cement	Not a relevant PA cement
		# 8726	Not a relevant PA cement	Not a relevant PA cement	Not a relevant PA cement	No (0) plant producing it Regulation is 60 <PF< 80 (Table B-2 Page 10 of the PDD)
a (iii)	If the region comprises of less than 5 plants producing the relevant cement type, thenational market should be used as the default region.	#10258	Region comprises less than 5 plants (3 plant) hence  Whole host country used as region and still the same	Region comprises less than 5 plants (0 plant) hence  Whole host country used as region and still the same	Region comprises less than 5 plants (0 plant) hence Whole host country used as region and still the same	Region comprises less than 5 plants (0 plant) hence Whole host country used as region and still the same
		#6811	Whole Host country taken as region	Whole Host country taken as region	Whole Host country taken as region	Whole Host country taken as region

		# 8726	Within 200 Km radius from PA plant taken as region	Within 200 Km radius from PA plant taken as region	Within 200 Km radius from PA plant taken as region	Within 200 Km radius from PA plant taken as region
	Bench mark clinker share (a), %	#10258	73.3%	94% (host country cement standard regulatory default for the specific type of cement)	89% (host country cement standard regulatory default for the specific type of cement)	Not a relevant PA cement
		#6811	Not a relevant PA cement	94% ((host country cement standard regulatory default for the specific type of cement)	Not a relevant PA cement	Not a relevant PA cement
		# 8726	Not a relevant PA cement	Not a relevant PA cement	Not a relevant PA cement	89% (above the host country cement standard regulatory default for the specific type of cement, which is 80%)

B		Production weighted average mass fraction of clinker (t clinker/t BC) in the top 20% (in terms of share of additives) of the total production of the blended cement type				
			PPC	PLC	PC	PF
b (i)	Identify the amount of the relevant cement type produced by each plant in the region (tons), 2008	#10258	Plant 1: 662,278 Plant 2: 112,275 Plant 3: 958,082	0	0	Not a relevant PA cement
		#6811	Not a relevant PA cement	0	Not a relevant PA cement	Not a relevant PA cement
		# 8726	Not a relevant PA cement	Not a relevant PA cement	Not a relevant PA cement	0
b (ii)	Determine the production weighted average mass fraction of clinker (t clinker/t BC) in the top 20% (in terms of share of additives) of the total production of the blended cement type in the region	#10258	1 plant producing at 72.86%  1 plant producing at 75%  1 plant at 73.5%	No (0) plant producing it. Regulation is 65<PLC<94	No (0) plant producing it Regulation is 45<PC<89	Not a relevant PA cement
		#6811	1 plant producing at 72.86%	No (0) plant producing it Regulation is 64<PLC<94	Not a relevant PA cement	Not a relevant PA cement
		# 8726	Not a relevant PA cement	Not a relevant PA cement	Not a relevant PA cement	No (0) plant producing it Regulation is 60 <PF< 80 (Table B-2 Page 10 of the PDD)
b (iii)	If 20% falls on part capacity of a plant, that plant is included in the calculations	#10258	1 plant producing at 72.86%	0	0	Not a relevant PA cement
		#6811	Not a relevant PA cement	0	Not a relevant PA cement	Not a relevant PA cement
		# 8726	Not a relevant PA cement	Not a relevant PA cement	Not a relevant PA cement	0
	Bench mark clinker share (b), %	#10258	72.86%	94% (host country cement standard regulatory default for the specific type of cement)	89% (host country cement standard regulatory default for the specific type of cement)	Not a relevant PA cement

		#6811	Not a relevant PA cement	94% ((host country cement standard regulatory default for the specific type of cement)	Not a relevant PA cement	Not a relevant PA cement
		# 8726	Not a relevant PA cement	Not a relevant PA cement	Not a relevant PA cement	89% (note that this benchmark is taken although above the host country cement standard regulatory default for the specific type of cement, which is 80%)
	Benchmark among lowest % of values for options a and b as per 2.1 (Option C not applicable to Greenfield plants)					
	Relevant PA cement types		PPC	PLC	PC	PF
		#10258	72.86%	94%	89%	Not a relevant PA cement
		#6811	Not a relevant PA cement	94%	Not a relevant PA cement	Not a relevant PA cement
		# 8726	Not a relevant PA cement	Not a relevant PA cement	Not a relevant PA cement	89%