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**08 October 2009**

Dear Members of the CDM Executive Board,

### **Request for review – 2628 Lixo Zero Composting Project**

Please find below our responses to the issues raised as part of the request for review for this project.

**1. The DOE shall clarify how it has validated the project start date for the project activity as appropriate. In doing so, the DOE shall explain how it has accepted the project was operated as a pilot plant in 2004 and 2005, and the cessation of the plant operation in early 2007.**

According to the Glossary of CDM terms (Version 05):

*The starting date of a CDM project activity is the earliest date at which either the implementation or construction or real action of a project activity begins.*

The starting date of the project activity is considered in the PDD to be the issuance of the Environmental Operation License (06/07/2007). This is the date that the company was formally authorized, by the State Environmental Authority, to operate. However, the project developer signed the first waste supply contract on 23/03/2007.

*(...) the start date shall be considered to be the date on which the project participant has committed to expenditures related to the implementation or related to the construction of the project activity. This, for example, can be the date on which contracts have been signed for equipment or construction/operation services required for the project activity.*

The date of signature of this supply contract can be considered “*the date on which contracts have been signed for (...) operation services required for the project activity*” As the waste supply contract is the first contract for a service required for the operation of the project, this could be considered to be the starting date of the CDM project activity. The PP is willing to revise the starting date of the CDM project activity in the PDD to coincide with this date – 23/03/2007

*The Board further noted that there may be circumstances in which an investment decision is taken and the project activity implementation is subsequently ceased. If such project activities are restarted due to consideration of the benefits of the CDM the cessation of project implementation must be demonstrated by means of credible evidence such as cancellation of contracts or revocation of government permits.*

#### **Directors**

Bruce Michael Usher *Canadian / American* Thomas Byrne *Irish* Patrick James Browne *Irish*

#### **Company Secretary**

Patrick James Browne *Irish*

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The company started the construction and operations in 2004/2005 of a pilot project.

The construction and operations started with their own money and lots of financial difficulties. It was an extremely amateur process. They were informally receiving waste from individual suppliers.

The purpose of the pilot phase was to learn about their composting techniques and also started some small scale composting. This resulted in the production of a small amount of composting that could be used as fertilizer. This compost was given to local agricultural producers with almost no revenues. It was given away partially as a marketing activity (the company needed to build a base of consumers of its product), partially due to community assistance (as the company is located in a very poor community, some of the compost was donated for school gardens and for community gardens) and partially to test the product. Several problems were faced during the pilot phase, such as death of plants and bad quality of compost, that needed to be resolved before the commercial operation could start. This demonstrates that this pilot phase was indeed essential to the development of the technology. This kind of operation (small scale, with minor or no revenues) characterizes this period as a pilot phase.

A reflection of the amateurism of the company and of the lack of revenues from compost was the cessation of activities in 2006. An accountant has provided information regarding the economic situation of the company during its history. According to this accountant, the company was indeed going through major financial constraints during 2005 and 2006, what motivated the project developer to stop operations..

After several meetings between the project developer and EcoSecurities, an ERPA was signed with them on 14/09/2006. The project developer was now aware that the CDM could help them to overcome the barriers to the project that had become apparent during the pilot phase. Once the ERPA had been signed, the project developer decided to restart the project activity as a CDM project. This is evidenced by them signing their first waste supply contract on 23/03/2007. The signing of this waste supply contract was the first real action of the project activity and is therefore taking to be the starting date of the project activity.

In fact, due to the delay of the project to be registered and, consequently, delaying the income foreseen by the selling of CERs, the company stopped operations again and are now waiting for the registration of the project before restarting operations

We hope that the correction of the starting date of the project activity to reflect the actual starting date of the project and this clearer description of the project milestones allow a clearer perception of the CDM consideration and the barriers faced by the project.

**2. The DOE shall clarify how it has validated the barrier analysis in accordance with VVM paragraphs 113 to 116 guidance.**

Please refer to the DOE's response

We hope that the information provided adequately addresses the concerns raised.

Yours sincerely

A handwritten signature in black ink, appearing to read 'B. Kinhead', with a stylized, flowing script.

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