



**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	Lazaro Energy Efficiency Project
Project participants (Name(s))	- Ingenio Lázaró Cárdenas, S.A. de C.V. - Ecosecurities, Ltd. - Cargill
Sector in which project activity falls	Sectoral scope 1: Energy industries
Is the proposed project activity a small-scale activity?	<u>Yes</u> / No (underline as applicable)

Section 2: Validation report

List of documents to be attached to this validation report (please check mark):	
<ul style="list-style-type: none"> <input checked="" type="checkbox"/> The CDM-PDD of the project activity <input checked="" type="checkbox"/> 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 No. 2006-0092, rev. 01)) <input checked="" type="checkbox"/> The written approval of voluntary participation from the designated national authority of each Party involved, including confirmation by the host Party that the project activity assists it in achieving sustainable development: <ul style="list-style-type: none"> ○ DNA of Mexico: Letter of Approval, dated 23 January 2006 ○ DNA of UK: Letter of Approval, dated 2 February 2006 ○ DNA of Switzerland: Letter of Approval, dated 17 February 2006 <input checked="" type="checkbox"/> Other documents, including any validation protocol used in the validation <ul style="list-style-type: none"> ○ DNV's Validation Report (DNV Report No. 2006-0092, rev. 01), including a validation protocol and a list of persons interviewed by DNV during the validation process and including an explanation of how DNV has taken due account of comments on validation requirements received. <input checked="" type="checkbox"/> Information on when and how the above validation report is made publicly available. <input checked="" type="checkbox"/> Banking information on the payment of the non-reimbursable registration fee <input checked="" type="checkbox"/> A statement signed by all project participants stipulating the modalities of communicating with the Executive Board and the secretariat in particular with regard to instructions regarding allocations of CERs at issuance. 	

Executive Summary and Introduction, including

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

The “Lazaro Energy Efficiency Project” is an energy efficiency improvement project at the sugar mill of Ingenio Lázaro Cárdenas, S.A. de C.V. located near Taretan in the region of Michoacán, Mexico. The project will increase the efficiency of the sugar milling process, thereby reducing the use of heavy fuel oil and consequently eliminating the CO₂ emissions associated with heavy fuel oil use. The usage of heavy fuel oil is expected to be reduced from 6.72 litres/ton of sugar cane crushed to 0 litres/ton of sugar cane crushed. The project’s average annual emission reductions are forecasted to be 6414 tCO₂e (tons of carbon dioxide equivalent).

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

The following documents were reviewed:

EcoSecurities Ltd: CDM-SSC-PDD for the “Lazaro Energy Efficiency Project”, Version 4 of 28 November 2005 and version 5 of 13 March 2006.

DNA of Mexico: Letter of Approval, dated 23 January 2006

DNA of UK: Letter of Approval, dated 2 February 2006

DNA of Switzerland: Letter of Approval, dated 17 February 2006

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

CDM Executive Board: 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, Version 07 of 28 November 2005.

National Chamber for Sugar and Alcohol Industries (2005) Desarrollo Agroindustrial Azucarero 1999-2005, Mexico

IPCC: Guidelines for National Greenhouse Gas Inventories, 1996 Workbook

PEMEX Bunker oil specification and quality certificate.

The following persons were interviewed:

José Alejandro Guevara Alba (Gerente General), Ingenio Lázaro Cárdenas

José Alfonso García Vidales (Jefe de Instrumentación), Ingenio Lázaro Cárdenas

J. Jesus Orozco torres (Encargado de seguridad ambiental y medio ambiente), Ingenio Lázaro Cárdenas

Romeo Cortes (Contador General), Ingenio Lázaro Cárdenas

Maria Luisa Sigala Vargas (Superintendente de control químico de calidad), Ingenio Lázaro Cárdenas

The validation team consisted of the following personnel:

Michael Lehmann	DNV Oslo, Norway	Team Leader, Energy sector expert, Technical reviewer
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Mr. Lai Chee Keong	DNV Kuala Lumpur, Malaysia	GHG auditor,
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Mr. Praveen Nagaraje URS DNV Bangalore, India GHG auditor
 Mr. Alfonso Capuchino DNV Mexico City, Mexico GHG auditor

For further details, please refer to the "Introduction" and "References" Sections of DNV's Validation Report (DNV Report No. 2006-0092, rev. 01).

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 commenced in December 2005 consisted of the following three phases:

- i) a desk review of the project design, baseline and monitoring plan
- ii) follow-up interview with project stakeholders
- iii) the resolution of outstanding issues and the issuance of the validation report and opinion

The original and revised versions of the project design document (PDD) of the project were assessed. Additional background documents related to the project design and the baseline were also consulted.

On 15-16 February 2006 DNV performed interviews with project stakeholders to confirm selected information and to resolve issues identified in the document review and visited the sugar mill of Ingenio Lázaro Cárdenas, S.A. de C.V.

In order to ensure transparency, a validation protocol has been customized for the project, according to the Validation and Verification Manual. The protocol shows, in a transparent manner, criteria (requirements), means of verification and the results from validation of 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 DNV were resolved through communication 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 No. 2006-0092, rev. 01).

For further details, please refer to the "Methodology" Section of DNV's Validation Report (DNV Report No. 2006-0092, rev. 01) and the IETA/PCF Validation and 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)

The PDD of 28 November 2005 was made publicly available on DNV's climate change website (www.dnv.com/certification/climatechange) and Parties, stakeholders and NGOs were through the CDM website invited to provide comments during a 30 days period from 17 December 2005 to 15 January 2006. 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 met. 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 "Lazaro Energy Efficiency Project" in Mexico. The validation was performed on the basis of UNFCCC criteria for the Clean Development Mechanism (CDM) as well as criteria given to provide for consistent project operations, monitoring and reporting.

The review of the project design document and the subsequent follow-up interviews have provided DNV with sufficient evidence to determine the fulfilment of stated criteria.

The project will increase the efficiency of the sugar milling process, thereby reducing the use of heavy fuel oil and consequently eliminating the CO₂ emissions associated with heavy fuel oil use.

The project participants are Ingenio Lázaró Cárdenas, S.A. de C.V. of Mexico, EcoSecurities, Ltd. of the United Kingdom and Cargill of Switzerland. The host Party Mexico and the Annex I Parties the United Kingdom and Switzerland meet the requirements to participate in the CDM. Letter of Approvals by the DNA of Mexico, the United Kingdom and Switzerland, including a confirmation by the DNA of Mexico that the project assists in achieving sustainable development, have been obtained.

Being an energy efficiency measures an industrial facility and the aggregated energy savings do not exceed 45 GWh_{th}/year, the project is eligible to apply the approved simplified baseline methodology AMS-II.D "Energy efficiency and fuel switching measures for industrial facilities. The baseline methodology has been correctly applied and the assumptions made for the selected baseline scenario are sound. The selected baseline scenario is the aggregated energy use of the existing equipment that will be replaced by the retrofitting and new equipment installation measures. It is sufficiently demonstrated that the project is not a likely baseline scenario and that emission reductions attributable to the project are thus additional.

By reducing and eventually eliminating the use of heavy fuel oil, the project will result in emission reductions that are real, measurable and will give long-term benefits to the mitigation of climate change. The emission reductions forecast stated in the PDD is a likely estimate.

The monitoring methodology AMS-II.D has been correctly applied. The monitoring plan provides for monitoring of the indicators necessary for the ex-post determination of project and baseline emissions.

Local stakeholders' comments were consulted and comments received were taken into account in the project design. Comments by Parties, stakeholders and NGOs were also invited and no comments were received.

In summary, it is DNV's opinion that the project, as described in the project design document of 13 March 2006, meets all relevant UNFCCC requirements for the CDM and correctly applies the approved simplified baseline and monitoring methodology AMS-II.D. Hence, DNV requests the registration of the "Lazaro Energy Efficiency Project in Mexico 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 No. 2006-0092, rev. 01).

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

By submitting this validation report, the DOE confirms that all validation requirements are met.

Name of authorized officer signing for the DOE Michael Lehmann

Date and signature for the DOE

13 March 2006

Michael Lehmann

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