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	BVQI HOLDING S.A.
Title of the proposed CDM project activity (Section A.2 of the attached CDM-PDD) submitted for registration	Cosipar Renewable Electricity Generation Project.
Project participants (Name(s))	Cosipar -Cia. Siderúrgica do Pará EcoSecurities Ltd
Sector in which project activity falls	Category I.D. (Renewable Energy Projects / Renewable electricity generation for a grid)
Is the proposed project activity a small-scale activity?	Yes / No *(underline as applicable)*

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;
- ☑ 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:
  - (Attach a list of all Parties involved and attach the approval (in alphabetical order))
- ☑ Other documents, including any validation protocol used in the validation
  - ☑ (comprehensive list of documents attached clearly referenced)
  - ☑ List of persons interviewed by DOE validation team during the validation process
  - Any other documents. Please specify.:
    - ☑ Validation Report rev 11
    - ☑ Letter of approval for Ecosecurities as project participant
- ☑ 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 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)**

- **Description of the proposed CDM project activity**

The project activity is a renewable energy project which consists of the expansion from 4 to 10 MW of a plant fired by blast furnace gas to generate part of the electricity required by Cosipar Pig Iron Plant. Currently, Cosipar purchases approximately 53,690 MWh/year from the Centrais Elétricas do Pará (CELPA), however, in the project scenario 45,503 MWh/year will be supplied by the project activity, thereby decreasing total demand from CELPA to 8,187 MWh/year. Cosipar Pig Iron Plant is located in the municipality of Marabá, in the State of Pará.

Cosipar is a private company producing Basic/Foundry Pig Iron industry that is part of ASICA, an association of pig iron industries located in the Carajás region. The Carajás region includes the states of Maranhão and Pará. It produces total annual output of 450,000 tonnes of pig iron per year.

In the absence of the project, the blast furnace gas would have continued to be flared. Therefore it is assumed that there will be no additional GHG emissions associated with the use of this gas to generate electricity. As a result, the project will be displacing electricity generation from a more fossil-intensive grid and reducing GHG emissions in the process.

As a result of the project intervention, 45,503 MWh per year will be displaced from the grid, resulting in a estimated yearly reduction of 16,928 tonnes of CO_2 equivalent (tCO_2e). Over the 21 year crediting period approximately 934,900 MWh will be displaced, and a total of 355,479 tCO_2e will be reduced.

- **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)**

  - **Scope of validation process**

The validation scope is defined as an independent and objective review of the project design document, the project's baseline study and monitoring plan and other relevant documents. The information in these documents is reviewed against Kyoto Protocol requirements, UNFCCC rules and associated interpretations. BVQI has, based on the recommendations in the Validation and Verification Manual (IETA/PCF, r. 01, 2003), employed a risk-based approach in the validation, focusing on the identification of significant risks for project implementation and the generation of CERs.

The validation is not meant to provide any consulting towards the Client. However, stated requests for clarifications and/or corrective actions may provide input for improvement of the project design.

- **Documents reviewed**

A number of documents and records were reviewed during the validation process. The key documents are listed bellow

- Clean development mechanism – Small-scale project design document (CDM-PDD) – Cosipar renewable electricity generation project, State of Pará. EcoSecurities, revisions August 2004, February 2005, April 2005, September 2005 and December, 2005
- Letter of approval dated January 20th, 2006

- **DOE Validation team (list of all persons involved in the validation, describing functions assumed in the validation**

Persons interviewed

Cosipar

Ms Diana Freitas Martins
Mr Frederico Pacheco
Ms Luis Guilherme Monteiro

EcoSecurities

Ms Flávia Resende

DOE validation team

MSc. Flávio Gomes da Silva	BVQI Brazil	Team Leader, GHG Auditor
MSc. José Fernando F. Sousa	BVQI Brazil	GHG Auditor, expert
MSc. Jay Wintergreen	FirstEnvironment	GHG Auditor, expert
MSc. Hubmaier Lucas Andrade	BVQI Brazil	GHG Auditor
MSc. Márcio Viegas	BVQI Holdings	Internal verifier
MSc. Ricardo Fontenele	BVQI Brazil	GHG Auditor
Dr. Tod Delaney	FirstEnvironment	GHG Auditor, expert

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 overall validation, from Contract Review to validation Report & Opinion was conducted using internal procedures (BVQI Management System – BMS-, September 2003), which were audited by

the validation team in December 2004.

In order to ensure transparency, a validation protocol was customised for the project, according to the Validation and Verification Manual (IETA/PCF, r. 01, 2003). The protocol shows, in a transparent manner, criteria (requirements), means of verification and the results from validating the identified criteria. The validation protocol serves the following purposes:

- It organises, details and clarifies the requirements a CDM project is expected to meet;
- It ensures a transparent validation process where the validator will document how a particular requirement has been validated and the result of the validation.

The validation of the project consists of the following 3 phases:

1. A desk review of the project design document and the baseline and monitoring plan
2. Follow-up interviews with the project participants
3. The resolution of outstanding issues and the issuance of the final validation report and opinion

The validation involved a combination of desk review and site visit to the project site. The desk review consisted of an assessment of PDD against the CDM and others applicable requirements and was followed by a site visit. The corrective and clarification requests were submitted to the client after completion of the site visit. The validation opinion and final report were issued subsequently.

- **Review of CDM-PDD and additional documents attached to it**

The PDD submitted by the client was reviewed against the CDM and other relevant requirements and the approved methodology. All other documents submitted to BVQI for detailed calculations of baseline determination were also reviewed.

- **Assessment against CDM requirements**

A validation protocol was developed to conduct the validation process. The protocol provides for a transparent mechanism and information on how the CDM and other relevant criteria and methodology requirements were assessed by the validation team.

- **Report of findings by the DOE**

The desk review and the site visit of the validation activity may result in corrective action requests (CAR) and/or clarification request (CR).

A corrective action request is issued where the project information does not conform to the CDM and other relevant requirement. A clarification request is made where the project information is not sufficiently describe and/or clarified.

The Corrective Action and Clarification Requests raised by BVQI were resolved during communications between the project participants, i.e. Cosipar and EcoSecurities. To guarantee the transparency of the validation process, the concerns raised and responses given are documented in more detail in the validation protocol.

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)**

- **Description of how and when the PDD was made publicly available**

According to the modalities for the Validation of CDM projects, the validator shall make publicly available the project design document and receive, within 30 days, comments from Parties, stakeholders and UNFCCC accredited non-governmental organisations and make them publicly available.

BVQI published the project documents on the UNFCCC CDM website (http://cdm.unfccc.int) on 2004-12-04 and invited comments within 2005-01-03 by Parties, stakeholders and non-governmental organisations. No comments were received.

- **Description of how comments were received and made publicly available**

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**

BVQI has performed a validation of the Cosipar Renewable Electricity Generation Project in Brazil. The validation was performed on the basis of UNFCCC criteria and host country criteria, as well as criteria given to provide for consistent project operations, monitoring and reporting.

The validation consisted of the following three phases: i) a desk review of the project design and the baseline and monitoring plan (October to December 2004); ii) follow-up interviews with project stakeholders (December 2004); iii) the resolution of outstanding issues and the issuance of the final validation report and opinion (January to December 2005).

By displacing fossil fuel-based electricity with electricity generated from a renewable source, the project is likely to result in reductions of CO2 emissions that are likely to be real, measurable and give long-term benefits to the mitigation of climate change. An analysis of the investment and technological barriers demonstrates that the proposed project activity is not a likely baseline scenario. Emission reductions attributable to the project are hence additional to any that would occur in the absence of the project activity. Given that the project is implemented and maintained as designed, the project is likely to achieve the estimated

amount of emission reductions.

The review of the project design documentation (December 2005 version) and the subsequent follow-up interviews have provided BVQI with sufficient evidence to determine the fulfilment of stated criteria. In our opinion, the project correctly applies the simplified baseline and monitoring methodology AMS.I-D and meets the relevant UNFCCC requirements for the CDM and the relevant host country criteria.

BVQI recommends the project for registration.

- **Will the project result in emissions reductions that are additional**

It is demonstrated that the project activity itself is not a likely baseline scenario due to the existence of investment, technological and other barriers due to prevailing practices. The project additionality has been demonstrated through presenting mainly investment barriers occurring both during construction and operation of the project.

The Project Scenario is considered additional in comparison to the baseline scenario, and therefore eligible to receive Certified Emissions Reductions (CERs) under the CDM, based on an analysis, presented by the PDD, of investment, technological and other barriers, and prevailing practice

The methodologies for calculating emission reductions are transparently documented and comply with existing good practice

To estimate the baseline emissions, the project proponent followed the paragraph 29.a of the simplified modalities for small-scale projects, which uses the Combined Margin approach. To define the baseline emissions the annual kWh for the project was determined and multiplied by the combined margin rate of the grid. For estimating the baseline carbon intensity, the combined margin carbon intensity for sub-national Brazilian grid was used, as this data is available and is provided by a reliable and credible source for calculating the emission reductions.

- **Local stakeholder comments and actions taken**

Letters were sent to the following local stakeholders:

- City Hall of Marabá;
- Chamber of Marabá;
- Environmental agencies from the State and Local Authorities;
- Brazilian Forum of NGOs;
- District Attorney (known in Portuguese as Ministério Público, i.e. the permanent institution essential for legal functions responsible for defending the legal order, democracy and social/individual interests) and;
- Local communities associations;

Local stakeholders were invited to raise their concerns and provide comments on the project activity through Cosipar website, for a period of 30 days after receiving the letter of invitation.

No comments were made during 30 days (from August 2nd until September 2nd on 2004).

Environmental impacts including transboundary impacts and impact not expect to create any

negative social or environmental impacts. On the other hand, job positions are expected to be created.

- **Appropriateness assessment if applicable**

For the Cosipar small-scale renewable energy project the local environmental body required no specific environmental assessment. However, an ANEEL license was required for the Project activity. Typical requirements found in such licenses include specific emissions limits, actions for pollution prevention, communication plans with local community, etc.

This has been completed, concluding that the Project adheres to the requirements.

Considering that all the blast furnace gas would be flared if it is not used to generate electricity, the additional activity is very small, including just the expansion of an existing plant to increase the electricity production. Thus, the environmental impacts are not significant.

The project correctly applies the approved simplified baseline and monitoring methodology Category 1.D.

- **Are the provisions for monitoring, verification and reporting in accordance with decision 17/CP.7**

The authority and responsibility of project management and monitoring measurement are clearly described. Monitoring Plan incorporate all indicators of importance for controlling and reporting the project performance.

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	SERGIO CARVALHO
Date and signature for the DOE	13 JUNE 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