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Att: CDM Executive Board

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QUESTIONS RAISED BY CDM EXECUTIVE BOARD MEMBERS	RESPONSE SUMMARY FROM DNV	ACTION TAKEN (IF RELEVANT)
Q1) The DOE has assessed that the project activity is not common practice, as out of the 45 operating wind plants in Brazil, 36 (80%) were developed under the national PROINFA program, and that two of the nine (9) non-PROINFA operating plants were being developed as CDM projects. The DOE has provided the essential distinction between the seven (7) wind plants that are non-CDM or non-PROINFA and similar projects; however, the DOE is requested to further explain how the fact that the four (4) similar projects are fully or partially owned by a wind turbine manufacturer (the same company that provided the technology to the project activity) is considered an essential distinction. Please refer to VVM, version 1.2, paragraph 120(c).	The common practice analysis was further elaborated in order to demonstrate that the four wind power plants mentioned in the RfR (Prainha, Taíba, Mucuripe and Palmas) have intrinsic characteristics that differentiate them from the proposed project activity regarding access to technology. Analysing all the plants under operational conditions by the time of completion of the PDD, not distinguishing their differences in terms of installed capacity if compared with the proposed project activity, these four projects (Prainha, Taíba, Mucuripe and Palmas Windpower plants) are examples of projects implemented without CDM benefits, but having different access to wind turbine technology in relation to other project developers. *Wobben Windpower Industria e Comercio Ltda* - the owner of these four projects - was the first Brazilian company to manufacture large scale wind turbine generators and manufactured the wind turbines of the four projects themselves. DNV considers that *Wobben Windpower Industria e Comercio Ltda* has easier access to technology in developing wind power projects for energy generation because they are directly involved in the production chain of wind turbine generators, having longer knowledge of suppliers, direct access to materials and services and generally greater know-how of the whole production process, differently of the project participant of project "*Electricity generation from renewable sources - Windfarms Santa Clara I, Santa Clara II, Santa Clara III, Santa Clara IV, Santa Clara V, Santa Clara VI and Eurus VI*". Additionally, as a complementary approach to the above mentioned common practise analysis performed in accordance with the *"Tool for the demonstration and assessment of additionality"*	The PDD has been revised (version 02a dated 10 May 2012) clarifying both the easier access to technology by *Wobben Windpower Industria e Comercio Ltda* and also including a common practice analysis in accordance with the "*Tool for the demonstration and assessment of additionality*" (version 6.0.0). The validation report was revised to version 02 dated 10 May 2012 to incorporate the response to the issue raised in the RfR.

	(version 5.2.1), the project participants performed also the common practice step-wise approach described in paragraph 47 of the *"Tool for the demonstration and assessment of additionality"* (version 6.0.0), applicable for measures that are listed on paragraph 6 of this same tool: *Step 1: Calculate applicable output range as +/- 50% of the design output or capacity of the proposed project activity* Since the installed capacity of the project activity is 188 MW, the output range of the common practice analysis is 94 MW to 282 MW (+/-50% of the installed capacity). The capacity of the whole wind farm complex, which includes the wind farms Santa Clara I, Santa Clara II, Santa Clara III, Santa Clara IV, Santa Clara V, Santa Clara VI and Eurus VI, is selected for determining the output range instead of individual wind units' installed capacity. This is in order to be consistent with the investment analysis. This is in DNV's opinion appropriate as the whole project was considered as one undividable investment, as stated below and in the Validation Report: "The starting date of the proposed project activity was defined as 14 December 2009, which represents the realization of Brazilian 2nd Reserve Power Auction (2º Leilão de Energia de Reserva - Leilão nº 003/2009 - LER-2009 **Error! Reference source not found.**), in which the seven electricity generation facilities Santa Clara I, II, III, IV, V, VI and Eurus VI had its energy contracted and its contract for the supply of equipment and services validated. According to the Memorandum of Understanding signed with Wobben on 11 December 2009, if the project proponent was successful in its participation at the Brazilian 2nd Reserve Power Auction – which indeed came to happen - the project proponent and Wobben would agree to enter into the contracts for the supply of equipment and services for the project activity (the main component of total required investments). This date corresponds to the earliest financial commitment for the proposed project activity." *Step 2: In the applicable geographical area, identify all plants that deliver the same output or capacity, within the applicable output range calculated in Step 1, as the proposed project activity and have started commercial operation before the start date of the project. Note their number N_{all}. Registered CDM project activities and projects activities undergoing validation shall not be included in this step.* Considering the 24 windfarm complexes in operation in Brazil, 20 do not deliver the same capacity as the project activity, considering the output range established in step 1 above. Two out	

	of the remaining 4 wind farms are under CDM validation. Therefore, there are 2 wind farms in operation in Brazil that deliver the same capacity as the project activity and are not under CDM validation or already registered. **N_{all} = 2** *Step 3: Within plants identified in Step 2, identify those that apply technologies different that the technology applied in the proposed project activity. Note their number N_{diff}.* According to the *"Tool for the demonstration and assessment of additionality"* (version 6.0.0), *"different technologies are technologies that deliver the same output and differ by at least one of the following:* *(...)* *(iv) Investment climate in the date of the investment decision, inter alia:* • *Access to technology;* • *Subsidies or other financial flows;* • *Promotional policies;* • *Legal regulations."* Wind farms developed under PROINFA (*Program of Incentive to Alternative Sources of Electric Energy / Programa de Incentivo às Fontes Alternativas de Energia Elétrica)* were considered as plants that were under different promotional policies than the project activity, according to the aforementioned concept. Considering the discussion regarding the PROINFA, 2 out of 2 wind farms in operation in Brazil that deliver the same capacity as the project activity and are not under CDM validation or already registered are developed under PROINFA, i.e. were under different promotional policies than the one applied in the proposed project activity and cannot be compared to the present project activity. Therefore, **N_{diff} = 2** *Step 4: Calculate factor* **$F = 1 - N_{diff} / N_{all}$** *representing the share of plants using technology similar to the technology used in the proposed project activity in all plants that deliver the same output or capacity as the proposed project activity.* **$F = 1 - N_{diff} / N_{all} \rightarrow F = 1 - 2 / 2 \rightarrow F = 0{,}00$** *Outcome of step 4a:* Since F = 0.00 (i.e. lower than 0.2) and **$N_{all} - N_{diff} = 2 - 2 = 0$** (i.e. lower than 3), the proposed project activity is not a common	

	practice within the sector in the applicable geographical area. By performing this step-wise approach of the common practice analysis of the *"Tool for the demonstration and assessment of additionality"* (version 6.0.0), it is demonstrated that also in this quantitative method the proposed project is not a common practice in Brazil, thus diminishing the relevance of statement regarding easier access to technology initially used in the PDD. DNV considers the proposed project is not a common practice in Brazil.	